



BELFIUS FINANCING COMPANY SA

(Incorporated with limited liability under the laws of the Grand Duchy of Luxembourg)

Issuer

BELFIUS BANK SA/NV

(Incorporated with limited liability under the laws of Belgium)

Issuer, Guarantor, Domiciliary Agent, Principal Paying Agent, Paying Agent and Calculation Agent

BANQUE INTERNATIONALE A LUXEMBOURG SA

Fiscal Agent and Principal Paying Agent

NOTES ISSUANCE PROGRAMME

EUR 20,000,000,000

Under the Notes Issuance Programme (the “**Programme**”) described in this Base Prospectus Belfius Bank SA/NV (with legal entity identifier (“**LEI**”) A5GWLPH3KM7YV2SFQL84) (also named Belfius Banque SA/Belfius Bank NV, “**Belfius Bank**”) and Belfius Financing Company SA (with LEI 222100XN1KG7XBC16R52) (also named “**Belfius Financing Company**”), together the “**Issuers**” and each, individually, an “**Issuer**”, may from time to time, issue notes (in the case of notes issued by Belfius Bank referred to as the “**Belfius Bank Notes**”, in the case of notes issued by Belfius Financing Company as the “**Belfius Financing Company Notes**”, together referred to as the “**Notes**” and individually as a “**Note**”), which may be linked to various underlyings (the “**Underlying**”), that rank as senior obligations of the Issuer (the “**Notes**”). Notes issued by Belfius Financing Company will be guaranteed by Belfius Bank (the “**Guarantor**”) pursuant to a senior preferred unsecured guarantee (the “**Guarantee**”).

The aggregate principal amount of Notes outstanding will not at any time exceed EUR 20,000,000,000 (or the equivalent in other currencies).

Each Tranche of Notes will be documented by final terms (the “**Final Terms**”).

The Base Prospectus should be read and construed in conjunction with each relevant Final Terms.

The relevant Final Terms and this Base Prospectus (as amended from time to time and including all documents incorporated by reference therein) together constitute the prospectus (the “**Prospectus**”) for each Tranche.

The Notes shall be Debt Securities or Derivative Securities in the meaning of the Commission delegated regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (herein referred to as “**Commission delegated regulation (EU) 2019/980**”). Debt Securities are debt instruments for which the Issuer commits itself to redeem the principal invested at maturity. Derivative Securities are debt instruments for which the Noteholders could lose all or substantial portion of the principal invested.

The Notes issued will be in dematerialized form in accordance with Articles 468 et seq. of the Belgian Companies Code, and will be represented by a book-entry in the records of the clearing system operated by the National Bank of Belgium (the “**NBB**”) or any successor thereto (the “**Securities Settlement System**”). Certain Notes issued by Belfius Financing Company are issued in bearer form.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Base Prospectus, including in particular the risk factors as described below in Section 2 (*Risk Factors*).

This Base Prospectus was approved by the Belgian Financial Services and Markets Authority (FSMA) on 24 September 2019 as competent authority under the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”) and is valid for one year from that date, provided that this Base Prospectus may be updated by any supplements in accordance with Article 23 of the Prospectus Regulation. This Base Prospectus replaces and supersedes the Base Prospectus of Belfius Financing Company and of Belfius Bank dated 25 September 2018. The obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when this Base Prospectus would no longer be valid.

Where this Base Prospectus contains hyperlinks to websites, the information on the websites does not form part of this Base Prospectus and has not been scrutinised or approved by the FSMA, except for information that is incorporated by reference in accordance with Section 5 of this Base Prospectus.

The current ratings of Belfius Bank are A1, with outlook ‘Stable’ (Moody’s), A-, with outlook ‘Stable’ (Standard & Poor’s) and A-, with outlook ‘Stable’ (Fitch). An outlook is not necessarily a precursor of a rating change or future credit watch action. In case of any rating action by any of the rating agencies, the most recent credit ratings of Belfius Bank are always published on Belfius Bank website, at the following address: <https://www.belfius.be/about-us/en/investors/ratings>. Investors should note that the Notes issued under the Programme will not be rated. Also, Belfius Financing Company is currently not rated.

Each of Moody’s, Standard & Poor’s and Fitch is established in the European Union and is included in the updated list of credit rating agencies registered in accordance with Regulation (EC) No.1060/2009 on credit rating agencies, as amended by Regulation (EU) No 513/2011, as amended (the “**CRA Regulation**”) published on the European Securities and Markets Authority (“**ESMA**”)’s website (<http://www.esma.europa.eu>) (on or about the date of this Base Prospectus).

Belfius Financing Company is a fully owned subsidiary of Belfius Bank, which means, for Notes issued by Belfius Financing Company, that the credit risks of the Issuer and the Guarantor are closely linked. Such credit risks imply that the Noteholders may lose all or part of their investment in the Notes in case the Issuer and the Guarantor become insolvent or are unable to fulfill their obligations under the Notes.

The Base Prospectus and the Final Terms (including the summary thereto) of each Tranche of Notes that is not made within an exemption from the requirement to publish a prospectus under the Prospectus Regulation (a “**Public Offer**”) and any supplement, are available on the internet site www.belfius.be (under the heading “Sparen & beleggen/Epargner & investir”) and a copy can be obtained free of charge in the offices of the Guarantor.

Pursuant to Article 8.8 of the Prospectus Regulation, a summary shall be drawn up once the Final Terms are included in this Base Prospectus, or in a supplement, or are filed, and that summary shall be specific to the individual issue.

The Notes may not be a suitable investment for all investors. Accordingly, prospective investors in Notes should decide for themselves whether they want to invest in the Notes and obtain advice from a financial intermediary in that respect, in which case the relevant intermediary will have to determine whether or not the Notes are a suitable investment for them. Prospective investors should have regard to the factors described under the section 2 headed “Risk Factors” in this Base Prospectus, setting out certain risks in relation to the Notes.

MIFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled “**MiFID II Product Governance**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment. A distributor subject to MiFID II is, however, responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593, any dealer subscribing for any Notes is a manufacturer in respect of such Notes.

Benchmark Regulation – Amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the “**Benchmark Regulation**”). If any such reference rate does constitute such a benchmark, the applicable Final

Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms (or, if located outside the European Union, recognition, endorsement or equivalence). The registration statuses of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

Amounts payable under the Notes may be calculated by reference to the Euro Interbank Offered Rate (“**EURIBOR**”) or the London Interbank Offered Rate (“**LIBOR**”), which are provided by the European Money Markets Institute (“**EMMI**”) and the ICE Benchmark Administration Limited (“**ICE**”), respectively. As at the date of this Base Prospectus, EMMI and ICE appear on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the Benchmark Regulation.

This Base Prospectus was approved by the FSMA on 24 September 2019 as competent authority under the Prospectus Regulation in accordance with Article 20 of the Prospectus Regulation. This approval does not entail any appraisal of the appropriateness or the merits of any issue under the programme nor of the situation of the Issuers or the Guarantor. The FSMA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of this Base Prospectus.

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2. RISK FACTORS

(Annex 6.3 and 14.2 of Commission delegated regulation (EU) 2019/980)

The following sets out certain aspects of the offering of the Notes of which prospective investors should be aware of.

An investment in the Notes involves a degree of risk. Prospective investors should carefully consider the risks set forth below and the other information contained in this Base Prospectus (including information incorporated by reference) before making any investment decision in respect of the Notes. The risks described below are risks which the Issuers believe may have a material adverse effect on the relevant Issuer's financial condition and the results of its operations, the value of the Notes or the relevant Issuer's ability to fulfil its obligations under the Notes or the Guarantor's ability to fulfil its obligations under the guarantee applicable to the Notes. All of these factors are contingencies which may or may not occur. Additional risk and uncertainties, including those of which the Issuers are not currently aware or deems immaterial, may also potentially have an adverse effect on the relevant Issuer's business, results of operations, financial condition or future prospectus or may result in other events that could cause investors to lose all or part of their investment.

*Factors which the Issuers believe may be material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below. The Issuer has assessed the most material risks, taking into account the negative impact (including any relevant mitigation measures) of such risks on the Issuer and the probability of their occurrence ("**Global Criticality**"). Each risk factor relating to the Issuer is followed by the Issuer's assessment of whether such Global Criticality can be assessed as high, medium or low.*

The Issuers believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the relevant Issuer to pay interest, principal or other amounts on or in connection with any Notes and the inability of the Guarantor to make payments in respect of the guarantee applicable to the Notes may occur for other reasons which are not known to the Issuers or which the Issuers deem immaterial at this time.

Prospective investors should also read the detailed information set out elsewhere in the Base Prospectus (including any documents deemed to be incorporated in it by reference) and reach their own views prior to making any investment decision.

In case of doubt in respect of the risks associated with the Notes and in order to assess their adequacy with their personal risk profile, investors should consult their own financial, legal, accounting and tax experts about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment, and the suitability of that investment in each investor's particular circumstances. No investor should purchase the Notes described in the Base Prospectus unless that investor understands and has sufficient financial resources to bear the price, market, liquidity, structure, redemption and other risks associated with an investment in these Notes. The market value can be expected to fluctuate significantly and investors should be prepared to assume the market risks associated with these Notes.

Capitalised terms used herein and not otherwise defined shall bear the meaning ascribed to them in the "Terms and Conditions of the Notes" below.

2.1. Risks related to Belfius Bank

2.1.1. Risks related to the Financial Situation and Business Activity

2.1.1.1. Credit Risk (Global Criticality: High)

Credit risks are inherent in a wide range of Belfius Bank's businesses. These include risks arising from changes in the credit quality of counterparties as well as the inability to recover amounts due from counterparties. This means that Belfius Bank is exposed to the risk that third parties (such as trading counterparties, counterparties under credit default swaps, interest rate swaps and other derivative contracts, borrowers, issuers of securities which Belfius Bank holds, customers, clearing agents and clearing houses, exchanges, guarantors, (re)insurers and other financial intermediaries) owing Belfius Bank money, securities or other assets do not pay, deliver or perform under their obligations. Bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other factors may cause them to default on their obligations towards Belfius Bank.

Belfius Bank uses mainly the Advanced Internal Ratings-Based ("AIRB") approach to calculate the probability of default, the loss given default and credit conversion factor in order to determine the capital requirement for a given exposure. The AIRB consists of assigning a scaled credit quality to each counterparty. Subject to certain minimum conditions and disclosure requirements, banks that have received regulatory approval to use the IRB approach may rely on their own internal estimates or risk components in determining the capital requirement for a given exposure.

While risk across borrower classes remains relatively low, certain categories of loans are subject to higher credit risk. In particular, the NBB has expressed concern with regard to the evolution of the Belgian residential real estate and mortgage market (Belfius' exposure on mortgage loans as per end 2018 stood at EUR 32.4 billion, which represents 34% of the loans to customers). Belfius Bank remains focused on monitoring the higher risk segments of its mortgage loan book, including mortgages with longer repayment terms, mortgages with a high loan-to-value ratio and loans with high debt service costs relative to the relevant borrower's income and the share in its portfolio of mortgage 'buy to let' loans. In light of the NBB's concerns, exposure to corporates in the real estate sector, which have been increasing rapidly, is also an area of focus for Belfius Bank.

The external rating agencies, Moody's, Fitch and S&P, also emphasize the risks of increasing economic imbalances of credit risk in Belgium, notably in the real estate sector, given Belfius Bank's pure domestic focus, although it is not there base-case scenario.

Furthermore, in relation to Belfius Bank's lending to public institutions, changes in budgetary and taxation policy may affect the asset quality of loans to municipalities. In addition, one key area of concern is the hospitals sector. The indebtedness of Belgian hospitals has increased significantly over the past five years, which has affected their repayment capacity. The sector is characterized by overcapacity in terms of available beds and infrastructure and the 6th state reform may have an impact on guarantees obtained by creditors.

Finally, since 2011, Belfius Bank has been engaged in a tactical de-risking of the ex-legacy portfolios until end 2016. Belfius Bank has been successful in achieving its aim of bringing the risk profile of the ex-legacy portfolios in line with the risk profile of its Retail and Commercial and Public and Corporate segments. As from 1 January 2017, the remainder of these ex-legacy portfolios have been integrated in Group Center and the remaining securities are being managed in natural run-off. An important component of these ex-legacy portfolios (total notional of Belfius' ex-legacy portfolio as per end 2018 stood at EUR 33.7 billion) is the large outstanding stock of derivatives (total notional of Belfius' ex-legacy derivatives portfolio as per end 2018 stood at EUR 26.4 billion) and bonds composed of long-term inflation linked bonds issued by highly regulated UK utilities and infrastructure companies (total notional as per end 2018 stood at EUR 1.2 billion). These bonds are of satisfactory credit quality. Nevertheless in the unlikely event of a default, the loss could be substantial but within the boundaries of the Belfius risk appetite framework. The inflation linked nature of these bonds makes them furthermore sensitive to UK real rates. Together with the outstanding stock of derivatives, they could have an

important additional capital charge in terms of RWA as well as increased collateral posting from Belfius Bank which could put Belfius' overall liquidity under pressure in case of a liquidity crisis in the financial markets.

With regards to the ALM Liquidity bond portfolio an important concentration is to be noted on long-term Italian sovereign bonds. The external rating agencies also point out the remaining ex-legacy portfolios as a potential rating pressure if not scaled back as planned. However they also acknowledge the significant efforts that have been made since 2011. There can, however, be no assurance that the risk profile of these ex-legacy portfolios will remain at current levels.

No assurances can be given that the strategy and framework to control the general credit risk profile and to limit risk concentrations will be effective and that these risks will not have an adverse effect on Belfius Bank's results of operations, financial condition or prospects. Nevertheless all rating agencies currently see a downgrade as unlikely.

2.1.1.2. Profitability (Global Criticality: Medium)

Changes in the profitability and changes in the expectations about the future profitability can influence the secondary market value of Belfius' liabilities. Though the Belfius management and the regulatory authorities via the Supervisory Review and Evaluation process (SREP) always strive for a sound and profitable business model, profitability can never be guaranteed as it depends to some extent on market factors. These factors are beyond the control of Belfius Bank.

Besides the general economic and competitive climate, monetary policy is among the most important factors determining bank profitability. By influencing the level of the interest rates and the shape of the interest rate curve, the European Central Bank (ECB) impacts in an important way the Net interest Rate Margin (NIM) of commercial banks, like Belfius. This NIM contains the bank revenues from its normal lending and borrowing activity and for Belfius it constitutes a non negligible part of the overall income. By making interest rates negative and by massively buying government bonds, the ECB exerts a negative pressure on this NIM, potentially reducing total profitability. Moreover, the interest rates that Belfius has to pay on its regulated deposits can not go negative but are, by law, floored at 0.11% per year. This constitutes a cost for the bank, as retail deposits are an important source of funding. This cost increases when market rates decrease further. Depending on future evolutions of the economy and the inflation rate, the ECB may push interest rates further into negative territory and/or flatten the rate curve even further.

2.1.1.3. Liquidity (Global Criticality: Medium)

Liquidity risk consists of the risk that the Belfius Bank will not be able to meet both expected and unexpected current and future cash flows and collateral needs. The monitoring of this risk factor is done through internal and regulatory liquidity Key Risk Indicators (KRI) that are reported on a regular basis and the compliance with those KRI is also tested under stress scenarios.

The liquidity risk at Belfius Bank is mainly stemming from:

- the variability of the amounts of commercial funding collected from Retail and Private customers, small, medium-sized and large companies, public and similar customers and the way these funds are allocated to customers through all type of loans;
- the volatility of the collateral that is to be deposited at counterparties in respect of derivatives and repo transactions (so called cash & securities collateral);
- the value of the liquid reserves by virtue of which Belfius Bank can collect funding on the repo market and/or from the ECB;
- the capacity to obtain interbank and institutional funding.

The driving factors behind these sources of liquidity risk are to a certain extent beyond the control of Belfius Bank as they are linked to evolutions in the financial markets, to regulation and to access to interbank and other markets. As the funds collected from retail and other clients constitute an important share of Belfius' liabilities

adverse market events, such as unexpectedly strong and lasting increases in interest rates may trigger changes in the behaviour of our clients in such a way that liquidity risks materialise despite Belfius' prudent management. Further to this, collateral outflows linked to Belfius' large outstanding stock of derivatives and bonds composed of long-term inflation linked bonds issued by highly regulated UK utilities and infrastructure companies may arise, depending on the movement of the UK real interest rate.

2.1.1.4. Competition (Global Criticality: Medium)

Belfius Bank faces strong competition across all its markets from local and international financial institutions including banks, life insurance companies and mutual insurance organisations. The presence of Belfius solely limited to Belgium can be assessed as a competitive disadvantage compared to its peer competitors. While Belfius Bank believes it is positioned to compete effectively with these competitors, there can be no assurance that increased competition will not adversely affect Belfius Bank's pricing policy and lead to losing market share in one or more markets in which it operates.

Competition is also affected by other factors such as changes in consumer demand and regulatory actions. Moreover competition can increase as a result of internet and mobile technologies changing customer behaviour, the rise of mobile banking and the threat of banking business being developed by non-financial companies, all of which may reduce the profits of Belfius Bank.

The introduction of the Payment Services Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market ("PSD2"), may enable the emergence of payment aggregators, which could in turn reduce the relevance of traditional bank platforms and weaken brand relationships. The development of ecosystems – which lead to the abolition of borders across economic sectors – could further exacerbate these threats.

Any failure by Belfius Bank to manage the competitive dynamics to which it is exposed could have a material adverse effect on its business, financial condition, results of operations, and prospects.

2.1.1.5. Operational Risks – Non financial Risks (Global Criticality: Medium)

Non-Financial Risk ("NFR") covers all risks that are not "financial risks" (such as market, ALM, liquidity, credit and insurance risks). NFR therefore covers among others operational risks (including fraud, HR, IT, IT security, business continuity, outsourcing, data-related risks, privacy, ...) as well as reputational, compliance and legal risks.

Belfius' losses stemming from operational incidents remain stable and limited. The main areas of operational losses were essentially due to incidents associated with external fraud and incidents in relation to execution, delivery and process management. Other categories remain limited in amount but not necessarily in number of events. When focussing on specific risks:

- Threats against data and information are their loss of integrity, their loss of confidentiality and their unplanned unavailability. The mission of information security is to guard against these threats. An information security strategy derived from these principles has been approved by mainly focusing on IT and IT security risks. The organization has a framework applicable to all actions pertaining to information security. Belfius' Risk Appetite accompanies and supports the information security strategy. It includes qualitative statements and quantitative Key Risk Indicators (KRI) explicitly related to information security stipulating (how) Belfius wants to meet the highest standards with regard to information security. The KRI will monitor the matching between Belfius' Risk appetite and the reality on the field.
- On 25 May 2018, the General Data Protection Regulation ("GDPR") became applicable. This introduced a number of new aspects compared to the old European directive from 1995. In general, the GDPR grants more rights to natural persons - such as Belfius' customers - and imposes more obligations on processors and controllers of personal data - including Belfius and its partners/suppliers.

The respect for privacy and the protection of personal data is a key commitment at Belfius. GDPR conformity is integrated into the processes to offer products, innovative digital tools, services and information sharing to its clients.

- In line with the overall commitment to deliver value-adding products and services, Belfius wants to be extremely severe when assessing capacities with regards to fraud. A zero-tolerance policy is applicable for all forms of fraud (internal, external as well as mixed fraud). Based on the actual figures, Belfius' fraud losses remain limited. However, fraud risks are in constant evolution and require specific attention.

2.1.1.6. Market Risk (Global Criticality: Medium)

Market Risks are inherent to a range of Belfius Bank's businesses. Apart from the interest rate risk which is specified under "2.1.1.2. Profitability", Belfius is particularly sensitive to P&L volatility stemming from value adjustments (XVA's). These value adjustments are mostly related to the ex-legacy portfolio.

Moreover, the hedging of structured retail products with illiquid equity indices as underlying has structurally increased the equity risk. New derivative single stock activity might also bring additional equity risk.

2.1.2. Legal and Regulatory Risk

2.1.2.1 Regulatory Risk (Global Criticality: Medium)

As is the case for all credit institutions, Belfius Bank's business activities are subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates, mainly in Belgium.

Recent years were marked by significant changes to regulatory regimes, including the endorsement by the EU of an the amendment of various regulations, inter alia, the CRR, the CRD, the BRRD and the SRM. The "EU revised Banking Package" has been agreed in April 2019 and will further reduce risks in the banking sector by even more reinforcing banks' ability to withstand potential shocks.

In addition, on 7 December 2017 the Basel Committee announced a final agreement on the finalisation of Basel III (applicable as from 2022 at the earliest). This will result in an increase of the capital requirements for CET1. Belfius expects this impact to be manageable. Such impact can preliminary be assessed around 1.00%-1,25% of CET1 ratio, based on the current agreement. This estimation is however subject to the transposition of the international agreement in EU legal framework, the discretion of the macro prudential authority to mitigate the impact of different measures and the forthcoming structure of the balance sheet. In the event that the European authorities when transposing the Basel agreement were to deviate from this final agreement, this could have a significant impact on Belfius Bank's solvency position. Besides, in the event that the discussions at the level of the Basel Committee on Banking Supervision regarding sovereign and public exposures were to lead to an agreement on these matters, this could also materially affect Belfius Bank's capital requirements. Finally, this impact does not take into account any Targeted Review of Internal Models (TRIM) potential effects as well as the implementation of EBA guidelines related to Loss Given Default (LGD) and new definition of default.

Belfius Bank's business and earnings are also affected by fiscal and other policies that are adopted by the various regulatory authorities of the European Union, foreign governments and international agencies. The nature and impact of future changes to such policies are not predictable and are beyond Belfius Bank's control.

Belfius Bank conducts its business subject to on-going regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations mainly in Belgium but also in the other regions in which Belfius Bank does business. Changes in supervision and regulation, in particular in Belgium, could materially affect Belfius Bank's business, the products and services offered by it or the value of its assets.

Any future changes to the derivatives regulations in particular, could affect Belfius in particular, especially in relation to its remaining outstanding notional amount of derivatives with Dexia-entities and non collateralized interest rate derivatives with international non financial counterparties.

As of today, the interest rate benchmark reforms (LIBOR, EURIBOR,...) leave uncertainties with regard to the conditions that shall apply for the transition of the stock of derivatives, which could affect Belfius.

2.2. Risks related to Belfius Financing Company

(with regards to the risks related to Belfius Financing Company as individual entity, Global Criticality: low)

Belfius Financing Company is a fully owned subsidiary of Belfius Bank whose principal purpose is to raise funds to be on-lent to Belfius Bank. Notes issued by Belfius Financing Company under the Programme are guaranteed by Belfius Bank pursuant to the Guarantee. This means that the capacity of Belfius Financing Company to repay the Notes issued by it, depends mainly on Belfius Bank. Noteholders should therefore also take note of the risk factors in respect of Belfius Bank. It implies that if the Guarantor's financial condition was to deteriorate, the Issuer and Noteholders may be impacted negatively. The Noteholders may lose all or part of their investment in the Notes in case the Issuer and/or the Guarantor become insolvent or are unable to fulfill their obligations under the Notes.

2.3. Risks related to the Securities

2.3.1. Risks related to the Nature of the Securities

2.3.1.1. Risks related to the Liquidity of the Notes

The Notes may have no established trading market, or if a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is the case for Notes that are particularly sensitive to interest rate, exchange rates or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and a higher price volatility than conventional debt securities. The liquidity of the Notes may also be affected by a downgrade of the credit ratings of Belfius Bank. A decrease in liquidity may have an adverse effect on the market value of the Notes. In addition, where a Noteholder is seeking to achieve a sale of the Notes within a short timeframe, such lower liquidity will negatively impact the selling price of the Notes.

2.3.1.2. Risks related to the Bail-in of the Notes

Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the “**Bank Recovery and Resolution Directive**” or “**BRRD**”) aims to provide supervisory and resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses.

This means that Noteholders may lose some or all of their investment (including outstanding principal and accrued but unpaid interest) as a result of the exercise by the resolution authority of the “bail-in” resolution tool.

The “bail-in” resolution tool is exercised by the national resolution authority that has the power to bail-in (i.e. write down or convert) liabilities more subordinated than the Notes, if any, (such as the claims of non preferred creditors of the Issuer) and preferred senior debt (such as the Notes and the Guarantee), after having written down or converted Tier 1 capital instruments and Tier 2 capital instruments. The bail-in power will enable the National Resolution Authority to recapitalise a failing institution by allocating losses to its shareholders and unsecured creditors (including the Noteholders) in a manner which is consistent with the hierarchy of claims in

an insolvency of a relevant financial institution. The bail-in power includes the power to cancel a liability or modify the terms of contracts for the purposes of deferring the liabilities of the relevant financial institution and the power to convert a liability from one form to another.

In summary (and subject to the implementing rules), it is expected that the national resolution authority will be able to exercise its bail-in powers if the following (cumulative) conditions are met:

- (a) the determination that Belfius Bank is failing or is likely to fail has been made by the relevant regulator, which means that one or more of the following circumstances are present:
 - (i) Belfius Bank infringes or there are objective elements to support a determination that Belfius Bank will, in the near future, infringe the requirements for continuing authorisation in a way that would justify the withdrawal of the authorisation by the competent authority, including but not limited to because Belfius Bank has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds;
 - (ii) the assets of Belfius Bank are or there are objective elements to support a determination that the assets of Belfius Bank will, in the near future, be less than its liabilities;
 - (iii) Belfius Bank is or there are objective elements to support a determination that Belfius Bank will, in the near future, be unable to pay its debts or other liabilities as they fall due;
 - (iv) Belfius Bank requests extraordinary public financial support,
- (b) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action taken in respect of Belfius Bank would prevent the failure of Belfius Bank within a reasonable timeframe; and
- (c) a resolution action is necessary in the public interest.

The BRRD specifies that governments will only be entitled to use public money to rescue credit institutions if a minimum of 8% of the own funds and total liabilities have been written down, converted or bailed in or, by way of derogation, if the contribution to loss absorption and recapitalisation is equal to an amount not less than 20% of risk-weighted assets and certain additional conditions are met.

In addition, and for the avoidance of doubt, under the Guarantee, the Guarantor has guaranteed the obligations owed by the Issuer to the Noteholders. In the case of application of the bail-in tool to the Notes such that the Issuer's obligations under the Notes are reduced, the amounts due under the Guarantee will be correspondingly reduced. In addition, the bail-in tool might also apply to a guarantee obligation such as the Guarantee. As a result, the bail-in tool, if applied to the Notes or to liabilities of the Guarantor, could effectively limit the extent of a recovery under the Guarantee.

2.3.1.3. Risks related to Non-capital-guaranteed Notes and Underlyings

Some Notes are not capital-guaranteed, meaning that the invested principal may not be repaid in full upon early redemption or at maturity, as the case may be. This means that Noteholders of a non-capital guaranteed Note could lose all or a substantial portion of the invested principal, and, if such principal is lost completely, interest may cease to be payable on such Note.

Further, Notes which are linked to an Underlying encompass both risks relating to the relevant Underlying and risks that are linked to the Note itself.

2.3.1.4. Risks related to Reinvesting Risk

Noteholders are exposed to the reinvestment risk in several situations. For example, reinvestment risk arises in a declining interest rate environment because Noteholders will only be able to reinvest the principal and/or interest paid to them at lower interest rates compared to the interest rates prevailing at the time they subscribed the Notes. Reinvestment risk can be increased by the fact that Notes may include a redemption at the option of the

Issuer (Call Option). If a Call Option is provided to be applicable in the relevant Final Terms, the Issuer may, redeem all or, if so provided, some of the Notes on the date or dates so provided. The Issuer may be expected to redeem Notes among others when its cost of borrowing is lower than the interest rate on the Notes.

2.3.1.5. Risks related to Change of Tax Law

The Terms and Conditions of the Notes are, save to the extent referred to therein, based on legislation in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or changes to the laws in Belgium, other jurisdictions (such as FATCA under US law) or on a supranational level (e.g. EU Financial Transaction Tax) or administrative practice after the date of issue of the Notes. Investors should note that the provisions of the Terms and Conditions contain certain provisions dealing with a change of law. Such provisions will be applied, in accordance with the law in force at the relevant time.

In addition, any relevant tax law or practice applicable as at the date of this Base Prospectus and/or the date of purchase or subscription of the Notes may change at any time (including during any subscription period or the term of the Notes). Any such change may have an adverse effect on a Noteholder, including that the Notes may be redeemed before their due date, their liquidity may decrease and/or the tax treatment of amounts payable or receivable by or to an affected Noteholder may be less than otherwise expected by such Noteholder.

2.3.2. Risks related to the Market Risk and Underlying

2.3.2.1. Reliance on the procedures of the X/N System, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli for transfer, payment and communication with the Issuer

The Notes may be issued in dematerialised form under the Belgian Companies Code and cannot be physically delivered. The Notes may be represented by book entries in the records of the X/N System. Access to the X/N System is available through the X/N System participants whose membership extends to securities such as the Notes. The X/N System participants include certain banks, stockbrokers ("*beursvennootschappen*" / "*sociétés de bourse*"), and Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli.

Transfers of interests in the Notes will be effected between the X/N System participants in accordance with the rules and operating procedures of the X/N System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the X/N System participants through which they hold their Notes.

Neither the Issuer, nor any Agent will have any responsibility for the proper performance by the X/N System or the X/N System participants of their obligations under their respective rules and operating procedures.

A Noteholder must rely on the procedures of the X/N System, Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer nor any Agent will have no responsibility or liability for the records relating to, or payments made in respect of, the Notes within the X/N System, Euroclear or Clearstream, Luxembourg.

2.3.2.2. Risks related to Fixed and Floating Interest Rates

Notes which are "Fixed to Floating Rate Notes" or "Floating to Fixed Rate Notes" may bear interest at a rate that may be converted from a fixed rate to a floating rate, or from a floating rate to a fixed rate on a date specified in the applicable Final Terms. After conversion, the spread on the Fixed to Floating Rate Notes may be less favorable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. After conversion from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on the issuer's Notes.

2.3.2.3. Risks related to Foreign Currency Notes

As purchasers of foreign currency Notes, investors are exposed to the risk of changing foreign exchange rates. This risk is in addition to any performance risk that relates to each Issuer or the type of Note being issued.

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency or the Specified Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the equivalent yield on the Notes in the Investor's Currency, (ii) the equivalent value of the principal payable on the Notes in the Investor's Currency and (iii) the equivalent market value of the Notes in the Investor's Currency.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

2.3.2.4. Risks related to Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features. Moreover, the reference rate could be zero or even negative. Even if the relevant reference rate becomes negative, it will still remain the basis for the calculation of the interest rate, and a margin, if applicable, will be added to such negative interest rate. For the avoidance of doubt, the Noteholders will never be required to pay a coupon to the Issuer or the Guarantor.

2.3.2.5. Risks related to optional redemption by the Issuer of the Notes

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. Investors that choose to reinvest moneys they receive through an optional redemption may be able to do so only in securities with a lower yield than the redeemed Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

3. CHOICES MADE BY THE ISSUERS

According to Article 8 of the Prospectus Regulation, the Issuers have chosen to issue notes under a base prospectus. The specific terms of each Tranche will be set forth in the applicable Final Terms. In addition, the Issuers choose as their home Member State the Kingdom of Belgium.

The Issuers have freely defined the order in the presentation of the required items included in the schedules and building blocks of the Commission delegated regulation (EU) 2019/980 according to which this Base Prospectus is drawn up. The chosen presentation is a consequence of the combination of Annex 6 and Annex 14 of Commission delegated regulation (EU) 2019/980. In order to enable the Noteholders to identify in the presentation below the corresponding provisions of Commission delegated regulation (EU) 2019/980, cross-references will be made to the relevant annexes of Commission delegated regulation (EU) 2019/980 and their subsections. Finally, any items which do not require, in their absence, an appropriate negative statement according to Commission delegated regulation (EU) 2019/980, are not included in the presentation when the Issuers so determine.

4. RESPONSIBILITY STATEMENT

(Annex 6.1 and 14.1 of Commission delegated regulation (EU) 2019/980)

Belfius Financing Company as Issuer and Belfius Bank as Issuer or Guarantor accept responsibility for the information given in the Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. Having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

In addition, in the context of any Public Offer (as defined above), the Issuers also accept responsibility as set forth above for the content of this Base Prospectus, in relation to any person (an “**Investor**”) to whom any offer of Notes is made by any financial intermediary to whom the Issuer has given its consent to use this Base Prospectus in connection with Public Offers of the Notes, subject to the conditions set out below (an “**Authorised Offeror**”). However, the Issuer does not have any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such Public Offer.

Pursuant to the paragraph above, and if so specified in the Final Terms in respect of any Tranche of Notes, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of the relevant Notes by each Authorised Offeror on the following basis:

- (a) such consent is given only for the use of this Base Prospectus, as supplemented from time to time, in relation to Public Offers of Notes occurring within 12 months from the date of this Base Prospectus;
- (b) such consent relates only to the offer period of the applicable Public Offer (the “**Offer Period**”);
- (c) such consent only relates to Public Offers made in Belgium;
- (d) the relevant Authorised Offeror is authorised to make Public Offers under Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the “**MiFID Directive**”) provided, however, that, if any Authorised Offeror ceases to be so authorised, then the consent of the Issuer shall be given only for so long as each Authorised Offeror is so authorised to make Public Offers under the MiFID Directive;
- (e) any other conditions relating to the relevant Public Offer (as specified in the relevant Final Terms) are complied with.

Details of the Offer Period, and any other conditions relating to the Public Offer and the names of the Authorised Offeror(s) will be specified in the Final Terms relating to a Tranche of Notes.

The Issuer may give its consent to additional financial intermediaries after the date of the relevant Final Terms and, if it does so, the Issuer will publish the relevant information in relation to them on <http://www.belfius.be>.

Any Authorised Offeror wishing to use this Base Prospectus in connection with a Public Offer as set out above, is required, for the duration of the relevant Offer Period, to state on its website that it uses this Base Prospectus for such Public Offer in accordance with the consent of the Issuer and the conditions attached thereto.

The Issuers have not authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this Base Prospectus in connection with its offer of any Notes unless (i) the offer is made by an Authorised Offeror as described above or (ii) the offer is otherwise made in circumstances falling within an exemption from the requirement to publish a prospectus under the Prospectus Regulation. Any such

unauthorized offers are not made on behalf of the Issuers and the Issuers have no responsibility or liability for the actions of any person making such offers.

An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocation and settlement arrangements (the “**Terms and Conditions of the Public Offer**”). The Issuer will not be a party to any such arrangements with Investors in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Public Offer shall be published by that Authorised Offeror on its website at the relevant time. None of the Issuer or any of the Dealers has any responsibility or liability for such information.

5. DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with (i) the audited consolidated accounts of Belfius Bank for the years ended 31 December 2017¹ and 31 December 2018², including the reports of the statutory auditors in respect thereof, as well as for Belfius Bank the half-yearly report for the period ending 30 June 2019 (the “**Half-Yearly Report 2019**”)³ and (ii) the disclosure document on alternative performance measures (“**APM**”) for the year ended 31 December 2018 and the half-yearly document for the period ending 30 June 2019⁴, which are incorporated by reference in this Base Prospectus.

Such documents shall be incorporated in and form part of this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

This Base Prospectus should also be read and construed in conjunction with the audited consolidated accounts of Belfius Financing Company for the years ended 31 December 2017 and 31 December 2018, including the reports of the statutory auditors in respect thereof, as well as the semi-annual unaudited key financial figures for 30 June 2019 for Belfius Financing Company, each as incorporated in Annex 5 of this Base Prospectus.

Copies of all documents incorporated by reference in this Base Prospectus may be obtained without charge from the offices of Belfius Bank and on the website of Belfius Bank (<https://www.belfius.be>).

The tables below set out the relevant page references for:

- (a) the (i) consolidated balance sheet, (ii) consolidated statement of income, (iii) consolidated statement of comprehensive income, (iv) consolidated statement of change in equity, (v) consolidated cash flow statement, (vi) audit report on the consolidated accounts, (vii) notes to the consolidated financial statements, (viii) non-consolidated balance sheet, (ix) non-consolidated statement of income, (x) audit report on the non-consolidated accounts and (xi) APMs of Belfius Bank.
- (b) the (i) unaudited consolidated balance sheet, (ii) unaudited consolidated statement of income, (iii) unaudited consolidated statement of comprehensive income, (iv) unaudited consolidated statement of change in equity, (v) unaudited consolidated cash flow statement, (vi) limited review report on the consolidated accounts, and (vii) notes to the consolidated financial statements of Belfius Bank for the period ended 30 June 2019 as set out in the Half-Yearly Report 2019⁵.
- (c) the accounting policies, notes and auditors’ reports of Belfius Financing Company for the financial years ended 31 December 2017 and 31 December 2018, and the references to the unaudited semi-annual report of 30 June 2019 (each as also incorporated in Annex 5 of this Base Prospectus).

Information contained in the documents incorporated by reference or incorporated in Annex 5 (as applicable) other than information listed in the table below is for information purposes only, and does not form part of this Base Prospectus. Such non-incorporated parts are deemed not relevant for the investor, or are covered elsewhere in this Base Prospectus.

¹ Available on https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_RA2017_eng.pdf.

² Available on https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_RA_2018_en.pdf.

³ Available on <https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel-1H2019.pdf>.

⁴ Available on <https://www.belfius.be/about-us/en/investors/results-reports/reports>.

⁵ Available on <https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel-1H2019.pdf>.

The consolidated balance sheet and consolidated statement of income of Belfius Financing Company can be found in the section headed “6. Belfius Financing Company SA” of this Base Prospectus.

Belfius Financing Company

(refer to pages of the Report(s))

	Annual Report 2017 Audited	Annual Report 2018 Audited	Report on the Interim Accounts on 30 June 2019 Unaudited
Balance Sheet	6	6	3
Statement of Income	8	8	5
Audit Report on the Accounts	1	1	N/A
Notes to the Accounts	10	10	7

The consolidated balance sheet and consolidated statement of income of Belfius Bank can be found in the section headed “7. Belfius Bank SA/NV” of this Base Prospectus.

Belfius Bank SA/NV

(refer to pages of the Report(s))

	Annual Report 2017 (English version) audited	Annual Report 2018 (English version) audited	Half-Yearly Report 2019 (English version) unaudited – condensed
Consolidated balance sheet	132	144	54
Consolidated statement of income	134	148	56
Consolidated statement of comprehensive income	135	150	58
Consolidated statement of change in equity	136	152	60
Consolidated cash flow statement	141	158	67
Audit report on the consolidated accounts	278	318	120
Notes to the consolidated financial statements	142	161	69
Non-consolidated balance sheet	288	330	N/A
Non-consolidated statement of income	291	333	N/A
Audit report on the non-consolidated accounts	294	336	N/A
Alternative performance measures APM	296	N/A	N/A

6. BELFIUS FINANCING COMPANY SA

(Annex 6.4 of Commission delegated regulation (EU) 2019/980)

6.1. General Information

Belfius Financing Company, SA is registered with the Register of Commerce and Companies of Luxembourg under number B 156767 ("**R.C.S Luxembourg**"). The articles of association of the Issuer were last amended and restated by notarial deed on 7 May 2014.

Its Registered Office is located at 20, rue de l'Industrie, L-8399 Koerich, Grand Duchy of Luxembourg.

Its contact details for the purpose of this Base Prospectus are the following:

Belfius Financing Company SA

20, rue de l'Industrie, L-8399 Koerich, Grand Duchy of Luxembourg

LEI: 222100XN1KG7XBC16R52

Telephone: +352 27 32 95 1

Website: <https://www.belfius-financingcompany.lu>

Belfius Financing Company has existing senior and subordinated bonds outstanding. Some bonds are listed for trading on the Luxembourg Stock Exchange.

Since 7 May 2014, the Company merged with Belfius Funding N.V., a company incorporated under Dutch Law. In this merger, Belfius Funding N.V. ceased to exist by way of absorption of Belfius Funding N.V. by Belfius Financing Company S.A. The shares in the capital of both Belfius Funding N.V. and Belfius Financing Company S.A. were held by the same (sole) shareholder, Belfius Bank SA/NV.

According to Article 4 of its articles of association, the purpose of the Company is:

- (a) to hold shareholdings and stakes, in any form whatsoever, in any commercial, industrial, financial or other Luxembourg or foreign company or undertakings, as well as to manage and optimise these stakes,
- (b) to acquire by way of participations, contributions, guarantees, acquisitions or options, negotiation or any other means, securities, rights, patents, licenses and other assets, provided the Company considers it appropriate to do so, and in general to hold, manage, optimise, sell or transfer the aforementioned, in whole or in part;
- (c) to take part in commercial, financial or other transactions and to grant to any holding company, subsidiary, associated or affiliated company or any other company belonging to the same corporate group as the Company any financial assistance, loan, advance or guarantee;
- (d) to borrow, raise funds by any means whatsoever (including without limitation the issuance of preferred equity certificates (PECs) (nonconvertible or convertible into shares), loans, bonds, acknowledgements of debt and any other form of debt or type of instrument) and to ensure the reimbursement of any borrowed amount; to perform all operations directly or indirectly related to this purpose.

Belfius Financing Company may grant pledges, guarantees, liens, mortgages and any other type of security (surety), as well as any form of compensation, to Luxembourg or foreign entity(ies) in relation to its own obligations and debts, or in relation to the obligations and debts of subsidiaries, associated or affiliated companies or any company belonging to the same corporate group.

Belfius Financing Company may acquire immovable property located abroad or in Luxembourg.

Belfius Financing Company may, moreover, perform any commercial, technical or financial transactions, involving movable or immovable property, which are directly or indirectly related to the abovementioned purpose.

As at 31 December 2018, the share capital of the Belfius Financing Company amounts to EUR 3,094,004, fully subscribed and paid up to the extent of the aggregate amount of EUR 2,113,004 and represented by 251 shares without par value, held by its sole shareholder, Belfius Bank SA/NV. The unaudited Interim accounts on 30 June 2019 (balance sheet and Profit and Loss Account) are incorporated in Annex 5 of this Base Prospectus.

Belfius Financing Company is dependent on Belfius Bank for the set-up, marketing and sale of its Notes issues. In addition, Belfius Financing Company relies on the fees paid by Belfius Bank to finance its corporate activities.

Belfius Financing Company acts as a finance company. Belfius Financing Company issues notes in the market, whereby proceeds of the issued notes are fully transferred to Belfius Bank.

There are no recent events particular to Belfius Financing Company which are, to a material extent, relevant to the evaluation of its solvency.

There have been no material contracts that are entered into in the ordinary course of Belfius Financing Company's business which could result in Belfius Bank being under an entitlement that is material to Belfius Financing Company's ability to meet its obligations to Noteholders.

Belfius Financing Company has made no investment since the date of the last published financial statements, and no principal future investments are planned.

The auditors of Belfius Financing Company are Deloitte Audit Sàrl, 560, rue de Neudorf, L-2220 Luxembourg, being member of Deloitte Touche Tohmatsu.

The relevant auditor's report with respect to the audited annual accounts of Belfius Financing Company for the years ended 31 December 2017 and 31 December 2018, as incorporated in Annex 5 of this Base Prospectus, were delivered without any reservations.

6.2. Management Board

Belfius Financing Company has a Board of Directors. At the date of this Base Prospectus, the Board of Directors of Belfius Financing Company is composed of:

Category A Directors:

Eric Hermann

Kristin Claessens

Category B Directors

Benoît Felten

Christoph Finck

6.3. Selected Financial Information

The following tables summarise the audited balance sheet and, income statement of Belfius Financing Company for the period ending 31 December 2017 and 31 December 2018, as well as the unaudited Cash Flow Statement of Belfius Financing Company as at 31 December 2018 and as at 30 June 2019.

**Audited Balance Sheet of Belfius Financing Company as of
31 December 2017 and 31 December 2018**

BELFIUS FINANCING COMPANY S.A.

Societe Anonyme

BALANCE SHEET

As at December 31, 2018

(expressed in thousands of EUR)

<u>ASSETS</u>	Notes	2018 EUR	2017 EUR
SUBSCRIBED CAPITAL UNPAID	6	981	981
Subscribed capital not called		981	981
FORMATION EXPENSES	3	6	32
CURRENT ASSETS		9 485 870	9 868 679
<i>Debtors</i>	4	188.727	323.805
<i>Amounts owed by affiliated undertakings becoming due and payable within one year</i>		26.628	21.324
<i>becoming due and payable after more than one year</i>	5	162.099	302.481
<i>Other investments</i>		9.294.283	9.542.157
<i>Cash at bank and in hand</i>		2 860	2 717
PREPAYMENTS		5	5
TOTAL (ASSETS)		<u>9 486 862</u>	<u>9 869 697</u>
 <u>CAPITAL, RESERVES AND LIABILITIES</u>			
CAPITAL AND RESERVES	6	4 468	4 603
<i>Subscribed capital</i>		3 094	3 094
<i>Reserves</i>		772	665
<i>Profit brought forward</i>		37	229
<i>Profit for the financial year</i>		565	615
PROVISIONS		533	565
OTHER CREDITORS	7	9 481 742	9 864 433
<i>Tax authorities</i>		97	92
<i>Social security authorities Other creditors becoming due and payable within one year</i>		13	9
<i>becoming due and payable after more than one year</i>		1.229.743	2.090.086
<i>becoming due and payable after more than one year</i>		8 251 889	7 774 246
DEFERRED INCOME		119	96
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		<u>9 486 862</u>	<u>9 869 697</u>

The accompanying notes form an integral part of these annual accounts.

**Audited Profit and Loss Account of Belfius Financing Company as of
31 December 2017 and 31 December 2018**

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2018

(expressed in thousands of EUR)

	Notes	2018	2017
		EUR	EUR
Staff costs	12	(296)	(266)
<i>wages and salaries</i>		(254)	(225)
<i>Social security costs</i>		(29)	(28)
<i>Relating to pensions</i>		(19)	(18)
<i>Other social security costs</i>		(10)	(10)
<i>Other staff costs</i>		(13)	(13)
Value adjustments	3	(26)	(59)
<i>in respect of formation expenses</i>		(26)	(59)
Other operating expenses	8	(824)	(795)
Other interest receivable and similar income	13	158,594	184,193
<i>Derived from affiliated undertakings</i>		158,593	184,190
<i>Other interest and similar income</i>		1	3
Interest payable and similar expenses	9	(156,655)	(182,201)
<i>Other interest and similar expenses</i>		(156,655)	(182,201)
Tax on profit	10	(228)	(260)
PROFIT AFTER TAXATION		565	612
Other Taxes	10	0	3
PROFIT FOR THE FINANCIAL YEAR		565	615

The accompanying notes form an integral part of these annual accounts.

Unaudited Cash Flow Statement of Belfius Financing Company as at 31 December 2018 and as at 30 June 2019

The cash flow statements below have been drawn up solely and exclusively for the purpose of the compliance of this Base Prospectus with the requirements of the Prospectus Regulation. As a consequence, these cash flow statements have been established after the date on which the audited financial statements for the financial years 2018 and 2019 (half year) have been published and therefore have not been audited by the statutory auditors of Belfius Financing Company. The cash flow statements for the financial year 2018 are based on the audited financial statements of the said years and have been drawn up in accordance with Lux GAAP.

(Cash Flow Statement expressed in EUR)

CASH FLOW STATEMENT		
Reporting Unit: 6126 - Belfius Financing Company SA		
(expressed in EUR)		
	31 December 2018	30 June 2019
NET CASH PROVIDED BY OPERATING ACTIVITIES	175,589,978	300,476,856
NET CASH PROVIDED BY INVESTING ACTIVITIES	0	-10,345
NET CASH PROVIDED BY FINANCING ACTIVITIES	-125,049,849	-424,165
NET INCREASE IN CASH AND CASH EQUIVALENT	50,540,129	300,042,346
CASH & CASH EQUIVALENT AT THE BEGINNING OF PERIOD	2,074,456	52,614,585
CASH & CASH EQUIVALENT AT THE END OF PERIOD	52,614,585	352,656,931

Prospects

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

Significant changes in the financial or trading position

There are no significant changes in the financial or trading position subsequent to the period covered by the historical financial information.

7. BELFIUS BANK SA/NV

(Annex 6.4 of Commission delegated regulation (EU) 2019/980)

7.1. Belfius Bank profile

Belfius Bank SA/NV (“**Belfius Bank**”) is a public limited company (naamloze vennootschap/société anonyme) established on 23 October 1962 for an unlimited duration and incorporated under Belgian law which collects savings from the public. The Issuer is licensed as a credit institution in accordance with the Belgian Banking Law. It is registered with the Crossroads Bank for Enterprises under business identification number 0403.201.185 and has its registered office at 1210 Brussels, Place Charles Rogier 11, Belgium. Belfius Bank’s LEI code is A5GWLFH3KM7YV2SFQL84.

Its contact details for the purpose of this Base Prospectus are the following:

Belfius Bank SA/NV

Place Charles Rogier 11, B-1210 Brussels, Belgium

Telephone +32 2 222 11 11

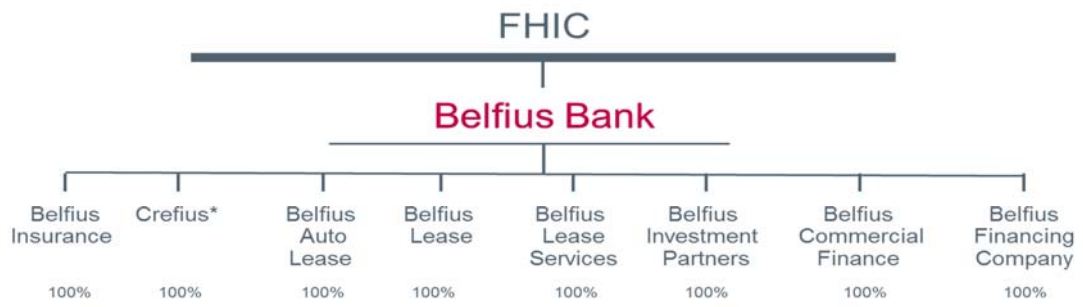
Website: <https://www.belfius.be>

The share capital of Belfius Bank as at 31 December 2018 was three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41) and is represented by 359,412,616 registered shares. The shareholding of Belfius Bank is as follows: 359,407,616 registered shares are held by the public limited company of public interest Federal Holding and Investment Company (“**FHIC**”), in its own name, but on behalf of the Belgian State, and 5,000 registered shares are held by the public limited company Certi-Fed. Certi-Fed is a fully-owned subsidiary of FHIC. Belfius Bank shares are not listed.

At the end of June 2019, total consolidated balance sheet amounted to EUR 172 billion.

With an essentially Belgian balance sheet for its commercial activities and customers from all segments, Belfius Bank is in a position to act as a universal bank “of and for Belgian society”. Belfius Bank is committed to maximal customer satisfaction and added social value by offering products and providing services with added value through a modern distribution model. Thanks to a prudent investment policy and a carefully managed risk profile, Belfius Bank aspires to a sound financial profile that results in a solid liquidity and solvency position.

Simplified Group structure (as at the date of this Base Prospectus)



** Crefius is involved in granting and managing mortgages loans*

Belfius and its consolidated subsidiaries are referred to in this simplified group structure chart as “**Belfius**”.

7.2. Main commercial subsidiaries

Belfius Insurance

Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector. At the end of June 2019, total consolidated balance sheet of Belfius Insurance amounted to EUR 21 billion⁶.

Crefius

Company servicing and managing mortgage loans. At the end of June 2019, total balance sheet of Crefius amounted to EUR 45 million⁷.

Belfius Auto Lease

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of June 2019, total balance sheet of Belfius Auto Lease amounted to EUR 363 million⁸.

Belfius Lease

Company for financial leasing and renting of professional capital goods. At the end of June 2019, total balance sheet of Belfius Lease amounted to EUR 872 million⁹.

Belfius Lease Services

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions. At the end of June 2019, total balance sheet of Belfius Lease Services amounted to EUR 2,086 million¹⁰.

Belfius Commercial Finance

Company for financing commercial loans to debtors, debtor in-solvency risk cover and debt recovery from debtors (factoring). At the end of June 2019, total balance sheet of Belfius Commercial Finance amounted to EUR 982 million¹¹.

Belfius Investment Partners

Company for administration and management of funds. At the end of June 2019, total balance sheet of Belfius Investment Partners amounted to EUR 150 million¹².

7.3. Financial results

Results 2018

In 2018, the net consolidated result for Belfius, before and after tax, was EUR 867 and EUR 649 million euros respectively. Belfius Banking Group contributed EUR 444.5 million and Belfius Insurance contributed EUR 204.5 million.

⁶ Belfius 1H 2019 Results - Presentation to analysts and investors, slide 46, available at: <https://www.belfius.be/about-us/en/investors/results-reports/results>.

⁷ Total IFRS balance sheet before consolidation adjustments

⁸ Total IFRS balance sheet before consolidation adjustments

⁹ Total IFRS balance sheet before consolidation adjustments

¹⁰ Total IFRS balance sheet before consolidation adjustments

¹¹ Total IFRS balance sheet before consolidation adjustments

¹² Total IFRS balance sheet before consolidation adjustments

Total income was EUR 2,361 million, up slightly compared with 2017. Due to persistent low interest rates, net interest income of the bank fell by 2%, to EUR 1,448 million. Despite customer risk aversion for investments in a very volatile market, net fee and commission income of the bank was stable at EUR 537 million (+1%). Belfius' Life and Non-Life insurance activities contributed EUR 283 million (+6%) and EUR 199 million (-1%) respectively to earnings. Taking the negative effect of banking levies into account, other income was EUR -105 million, representing an improvement of 18% compared with 2017.

Belfius invested EUR 141 million in innovative digital solutions, in providing services going beyond mere bank-insurance for its customers, as well as in the recruitment of over 300 new commercial and specialist talents. These investments partly explain the increase in costs to EUR 1,426 million (+4%). Combined with income that was practically stable compared with 2017, this resulted in a Cost-Income ratio up slightly at 60.4%.

The cost of risk for operating banking activities was EUR -80 million. This low level was the result of strict risk management, as well as the good quality of loans and portfolios. The total cost of risk was EUR - 68 million.

The tax expense including deferred taxes decreased with EUR 140.1 million, or 39.2%, to EUR 216.9 million for the year ended 31 December 2018, compared to EUR 357.0 million for the year ended 31 December 2017.

Total equity increased by 5.5%, to EUR 10.0 billion as at 31 December 2018 compared to EUR 9.4 billion as at 1 January 2018. The increase was mainly due to the profit for the year ended 31 December 2018 of EUR 649 million as well as the additional Tier 1 issue of EUR 500 million. This was partially offset by payment of the full year 2017 dividend of EUR 363 million (of which EUR 75 million was paid as interim dividend in the third quarter of 2017) and an interim dividend of EUR 100 million on the 2018 profit. Furthermore, gains and losses not recognised in the statement of income decreased with EUR 265 million.

At the end of 2018, CET 1 ratio amounted to 16.0%, a decrease of 17 bps compared to 1 January 2018. The decrease in CET 1 ratio to 16.0% is the result of positive effects in CET 1 capital (+15 bps) offset by negative effects in total risk exposure (-32 bps).

CET 1 capital amounted to EUR 8,329 million, compared with EUR 8,253 million at 1 January 2018. The increase in CET 1 capital of EUR 76 million results mainly from the inclusion of the regulatory net profit, though partially offset by the correction for foreseeable dividend of EUR 266 million and despite the decrease of the "gains and losses not recognized in the statement of income".

At the end of 2018, regulatory risk exposure of Belfius amounted to EUR 52,065 million, an increase with EUR 1,026 million compared to EUR 51,039 million at 1 January 2018.

At the end of 2018, the Belfius leverage ratio – based on the current CRR/CRD IV legislation – stood at 6.0%.

Results 1H 2019

Belfius' net income 1H 2019 stands at EUR 304 million, down 9% compared to 1H 2018 where net income stood at EUR 335 million. In 1H 2019, the bank contributed EUR 179 million and the insurer EUR 126 million.

Belfius' focus on its strategic long term development continues to translate into **investments** in business model, customers and human and digital capacities, resulting into continued very **strong commercial development** in all client segments of the Belgian economy.

The combination of this strategic investment-stance, the still challenging macro-economical context and some non-typical elements such as higher claims for natural catastrophes leads to an all-in lower net income compared to 1H 2018:

- Growing loan volumes compensate for the continuous low interest rate environment and result in a **resilient net interest income** of the bank for 1H 2019.
- **Slightly increasing fee & commission income** thanks to the good development of fees from classical life and non-life insurance products and from payment services.
- **Lower insurance contributions** as a result of:

- the material natural catastrophes in 1H 2019 impacting Belfius' non-life result;
- lower Branch 21 reserves leading to lower guaranteed life insurance contribution, despite resilient financial margin.
- Strategic priorities result in continued investments in human capital as well as in IT and digitalization, leading to an **increase of the costs** and to a C/I ratio of 61.5%.
- Sound risk management and good credit quality of the portfolios continue to translate into historically low cost of risk of the commercial activities. The overall **increase in cost of risk** is mainly stemming from Group Center which was positively impacted in 1H 2018 by a one-off effect from the sale of some Italian government bonds.

Even with Belfius' strategy to continue to put more capital at work to further develop its commercial franchise, Belfius continues to demonstrate solid solvency levels: 15.5% CET 1 at consolidated level and 185% SII ratio for Belfius Insurance.

The total shareholders' equity (or net asset value) stood at EUR 9.6 billion, up from EUR 9.4 billion end 2018.

Belfius' Board of Directors of 8 August 2019 decided to pay an interim dividend, relative to 1H 2019 results, of EUR 100 million to its shareholder, and to set the full year 2019 dividend target pay-out ratio range at 40% to 50%.

Prospects

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

Significant changes in the financial or trading position

There are no significant changes in the financial or trading position subsequent to the period covered by the historical financial information.

7.4. Minimum CET 1 Ratio Requirement (SREP)

The minimum CET 1 – Ratio Requirement 2019 is composed as follows :

Minimum CET 1 Requirement	2019
Pillar I minimum	4.5 %
Pillar II requirement	2.25 %
Capital conservation buffer	2.5 %
Buffer for (other) domestic systemically important institutions	1.5 %
Minimum CET1 - Ratio Requirement	10.75 %
Countercyclical buffer	0.07 %
Minimum CET1 Ratio - Requirement (incl CCyB)	10.82 %

Based on the most recent "Supervisory Review and Evaluation Process" (SREP), Belfius must comply for 2019 with a minimum CET 1 ratio of 10.75% (without countercyclical capital buffer) and 10.82% including the countercyclical capital buffer. Pursuant to its macro-prudential powers laid down in the Belgian Banking Law of 2014, the National Bank of Belgium decided on 28 June 2019 to increase the countercyclical buffer rate for credit risk exposures to the Belgian private non-financial sector from 0 % to 0.5 % for 3Q 2019. This decision will be binding as from 1 July 2020 onwards as it is subject to a one-year implementation period. Considering that Belgian private non-financial sector represents c. 85% of Belfius' exposures, it is expected to lead to an additional countercyclical buffer of c. 42.5 bps for Belfius. Note that if cyclical systemic risks would decrease and the credit cycle would turn, these additional buffer requirements could still be relaxed by the NBB, commensurate with the cycle.

Note that the ECB has also notified Belfius of a Pillar 2 Guidance (P2G) of 1% CET 1 ratio for 2019 (unchanged compared to 2018).

Further to these regulatory requirements, in current market circumstances and under current regulations, Belfius has defined a minimum operational CET 1 - ratio of 13.5%, on solo and consolidated levels. This ratio is intended to safeguard Belfius' dividend distribution assessment and decision autonomy even under some stressed financial environments. In addition, Belfius will for the time being manage with a target CET 1 - ratio range of 15% to 15.5%, higher than this minimum operational level to take into account additional unforeseeable elements. Belfius intends to manage its solvency in line with this target ratio in normal times and on a steady state basis, unless the above mentioned buffer is (partially or entirely) used, and as long as regulations on statutory and/or consolidated capital ratios would not materially change.

7.5. Activities

Segment reporting

Analytically, Belfius splits its activities and accounts in three segments: Retail and Commercial (RC), Public and Corporate (PC) and Group Center (GC); with RC and PC containing the key commercial activities of Belfius.

- **Retail and Commercial (RC)**, managing the commercial relationships with individual customers and with small & medium sized enterprises both at bank and insurance level;
- **Public and Corporate (PC)**, managing the commercial relationships with public sector, social sector and corporate clients both at bank and insurance level;
- **Group Center (GC)**, containing the residual results not allocated to the two commercial segments. This mainly consists of results from bond and derivative portfolio management.

7.5.1. Retail and Commercial (RC)

Belfius Bank is the number two bank-insurer in Belgium and offers individuals, self-employed persons, the liberal professions (i.e. doctors, lawyers, etc.) and SMEs a comprehensive range of retail, commercial, private banking, wealth management and insurance products and services. Belfius Bank serves its 3.6 million customers through its integrated omni-channel distribution network, which includes more than 640 branches, its modern interaction platform Belfius Connect, and a large number of automatic self-banking machines. Belfius has also been developing a digital strategy and is now a leader in mobile banking (Finalta Digital and Multichannel Banking Benchmarking Study 2017), with over 1.3 million active mobile users.

Belfius Insurance, a subsidiary of Belfius Bank, offers insurance products to its customers through the Belfius Bank branch network, as well as through the tied agent network of DVV/LAP insurance. Belfius' bank-insurance model is fully integrated, with insurance expertise offered through Belfius Bank branches and the omni-channel distribution network. It also offers insurance products through Corona Direct Insurance, which is, according to Assuralia, the fastest growing full direct insurer in Belgium. Corona operates exclusively via digital media and call channels, as well as via "affinity partners", which are external parties who offer Corona insurance products. Through its Elantis and DVV/LAP brands, Belfius Insurance also offers mortgage loans and consumer loans to its customers.

Belfius Insurance is the sixth largest insurer¹³ in Belgium, focusing mainly on the retail market.

¹³ 2017: data from Assuralia; 2018: data not yet available.

Strategy

In 2015, Belfius launched its Belfius 2020 strategy for Retail and Commercial, which is focused on achieving four ambitions by 2020:

- to progress from customer satisfaction (over 95% for 2018) to customer recommendation (committed customers who are prepared to recommend Belfius);
- to further develop a differentiated and digitally supported business model, with an ideal balance between qualitative relationship management on the one hand, and efficient, user-friendly direct channels on the other. Two complementary omni-channel approaches are being developed for that purpose:
 - an approach with a digital and remote-access focus geared towards retail customers combined with value-added branch interactions at key life moments for customers; and
 - an approach with account management focus geared towards privilege, private and business customers supported by convenient digital and remote-access tools.
- to increase the dynamic market share in core products to a minimum of 15%; and
- to further implement Belfius' continued focus on processes with value added for Belfius' customers, with a reduction in the cost to income ratio.

In order to achieve these aims, Belfius is implementing several initiatives across Retail and Commercial:

- a more granular sub-segmentation of the customer base with appropriately designed value propositions for each of them;
- an accelerated digital transformation to enable client convenient direct sales of the 10 most important bank and insurance products, supported by in-depth customer knowledge via data analysis, the principle of mobile first and paperless sales transactions supported by digital tools and services for the account manager;
- an innovative distribution strategy with a customer oriented approach which is becoming more omni-channel in every aspect. In the future, branches will concentrate even more on proactive advice for the privilege, private and business customer segments. Information, service and sales for retail customers will increasingly be conducted through digital and remote-access channels. Belfius Connect, a new "remote" advice and sales centre, ensures better commercial accessibility for customers by satisfying their needs from early in the morning to late into the evening; and
- the further development of an all-in property offer (via Belfius Immo, a subsidiary of Belfius Bank) and the development of Belfius Investment Partners (Belfius IP), a specialised subsidiary of Belfius Bank that manages investment funds for the purpose of completing the investment products offering of Belfius for Retail and Commercial customers.

RC commercial performance in 1H 2019

The commercial activity continues to show excellent dynamics. Belfius enjoys a strong growth in **total savings and investments** of RC customers of EUR 5.9 billion in 1H 2019, amounting to EUR 110.9 billion thanks to strong organic growth in non-maturing products.

On-balance sheet deposits totalled EUR 70.6 billion on 30 June 2019, up +5.9% from the end of 2018. There was very good growth in the funds deposited in current and savings accounts, which reached EUR 14.7 billion (+11.5%) and EUR 46.4 billion (+5.7%) respectively at the end of June 2019. Less customer funds found their way to long-term fixed rate investments, resulting in a drop of 11.1% for savings certificates to an amount of EUR 1.5 billion. The volatile stock markets and the further evolved MIFID regulation lead to a change in product mix on new production with more non-maturing deposit products versus fewer asset management products.

Off-balance sheet investments increased by 6.8% in 1H 2019, compared to the end of 2018, to EUR 29.5 billion, mainly thanks to favourable market conditions.

Life insurance reserves for investment products amounted to EUR 10.8 billion, up 0.6% compared to the end of 2018. Investments in Branch 21 life insurance guaranteed products decreased because of the low interest rates, but that drop was offset by a strong increase in Branch 23 unit-linked products and Branch 44 products.

Total loans to RC customers rose strongly to EUR 50.4 billion at the end of June 2019. The increase occurred mainly in consumer loans (+7.3%) and business loans (+4.3%). Mortgage loans, which account for two thirds of all loans in this segment, amounted to EUR 33.4 billion at the end of June 2019 and remained at a high level with an increase of 3 % compared to the end of 2018.

New long term loans granted to retail and commercial clients during 1H 2019 amounted to EUR 5.8 billion compared to EUR 5.2 billion in 1H 2018. In 1H 2019, the new production of mortgage loans slightly increased from EUR 2.7 billion in 1H 2018 to EUR 3.1 billion. During the same period, EUR 2.2 billion in new long-term business loans were granted, up 12.3% compared to 1H 2018. Belfius assisted 7,011 new start-ups in 1H 2019.

Total insurance gross written premiums from customers in the Retail and Commercial segment amounted to EUR 769 million in 1H 2019, compared to EUR 773 million in 1H 2018, a slight decrease of 0.5%.

Life insurance production⁽¹⁴⁾ stood at slightly more than 1.0 billion in 1H 2019⁽¹⁵⁾, up 53.7% compared to 1H 2018⁽¹⁶⁾ boosted by large transfers from guaranteed products (Branch 21) to unit-linked products (Branch 23) .

Non-Life insurance gross written premiums in 1H 2019 stood at EUR 315.8 million, up 6.8% compared to 1H 2018, thanks to the bank distribution channel and good performance in all other strategic distribution channels (e.g. Corona Direct Insurance, DVV).

Indeed, thanks to the “one-stop-shopping” concept of Belfius, the mortgage loan cross-sell ratio for property insurance stood at 84.8% in 1H 2019 compared to 84.7% in 1H 2018. With a ratio of 138.1% in 1H 2019 - compared to 139% in 1H 2018 - Belfius also continues to show a solid mortgage loan cross-sell ratio for credit balance insurance.

Total insurance reserves in the Retail and Commercial segment amounted to EUR 13.9 billion. Life insurance reserves remained stable since the end of 2018 at EUR 12.8 billion in a context of historically low interest rates. Unit-linked reserves (Branch 23) increased by 20.9%, while traditional guaranteed life reserves (Life Branch 21/26) decreased by 5.9%, demonstrating the ongoing life product mix transformation from guaranteed products

¹⁴ Gross Written Premiums and transfers.

¹⁵ Of which EUR 453,4 million Gross Written Premiums and EUR 551,9 million transfers.

¹⁶ Of which EUR 477,8 million Gross Written Premiums and EUR 176,1 million transfers.

to unit-linked products. Non-life reserves remained stable at EUR 1.1 billion.

Belfius continues to set the pace in **mobile banking** in Belgium and further developed its **digitally supported business model**. On 30 June 2019, Belfius apps for smartphones and tablets had 1,334,000 users (+6.8% compared to end of 2018) and were consulted by these customers on average (slightly more than) once a day. The very high satisfaction figures show that continuous innovation, and our focus on user-friendliness and usefulness for the customer pays off.

Belfius continues to extend the functionalities of its direct channels. In 1H 2019, 63% of the new pension saving contracts, 40% of the new credit cards and 30% of the new savings accounts were subscribed via direct channels.

RC net income after tax amounted to EUR 236 million in 1H 2019 compared to EUR 241 million in 1H 2018 .

7.5.2. Public and Corporate (PC)

Belfius offers a comprehensive range of banking and insurance products and services to approximately 11,000 public and social institutions and 11,000 corporates. In 2018, it had the market leading position in the public and social sector anchored by its over 150-year involvement in the sector, as well as being the fourth-largest bank for corporates by loans. Belfius has successfully developed its corporate offering, expanding its market share of loans to medium and large-sized corporates from 8.7% in 2013 to 14.5%¹⁷ in 2018. Belfius estimates that it serves approximately 50% of Belgian market of companies with a turn-over equal or above EUR 10 million.

Belfius offers services to the Belgian public and social sectors (including hospitals, schools, universities and retirement homes). It provides these clients with a wide and integrated range of products and services, including credit lending, treasury management, insurance products, financial markets products and financial IT tools. Belfius' corporate banking activities are focused on large- and medium-sized corporates which have a decision-making centre in Belgium as well as corporates offering services to the public sector.

Belfius Insurance also sells insurance products to its public and social clients. Specific life insurance solutions are offered, especially pension insurance in the first and second pension pillars for civil servants and investment products in Branch 26 (life insurance with a capital guarantee and guaranteed minimum return, to which a variable profit participation feature may be added).

Strategy

Within the Public and Corporate market, Belfius intends to maintain its position as the leader in the public and social market and to continue its growth strategy in the Belgian corporate market.

By implementing its Public and Corporate Strategy, Belfius has set itself the goal of consolidating the robust growth it has recorded in this segment since 2015. The bank's aim is to grow its share of the (loans) market to more than 15% in the Belgian corporate sector and in doing so to underline its position among the leading banks working in behalf of corporates in Belgium.

In April 2018, Belfius introduced a totally new, very much contemporary approach to Wealth Management, combining personalised, innovative service with integrated digitisation. The aim is for Belfius to offer its affluent customers a unique wealth management experience, for both their private and professional wealth.

Customer satisfaction is one of Belfius' top priorities, once again achieving 98% in 2018. Belfius has established a focused strategy to maintain this remarkably high standard. First, the bank offers a wide range of classic products meeting all basic financial needs as effectively as possible. In addition to these traditional products, Belfius also looks to add value to its client relationships by leveraging its in-depth client and market understanding and offering tailor-made products and services to meet the needs of corporate and public and social clients.

¹⁷ Estimated figure.

In light of the challenges faced by public institutions and businesses in Belgium, Belfius continues to pursue its Smart Belgium programme. Smart Belgium is an initiative through which Belfius, together with partners from the public sector, private sector and academic institutions, has created a forum enabling smart solutions for a better society to be developed. Belfius acts as a financial partner and contact for local governments, intermunicipal authorities, new and existing businesses, hospitals, schools, retirement homes, care centres, academics and the public in general. The bank is supporting these partners with their smart projects in different areas.

In 2017, Belfius also created its subsidiary Smart Belgium Services in partnership with Strategy&, a member of the worldwide PwC network. The aim is to help guide local authorities and businesses within a unique ecosystem and facilitate the co-creation of innovative solutions designed to make Belgium smarter. Smart Belgium Services was created to assist customers in developing a strategic framework for Smart projects, from the initial design stage to final implementation.

In 2018, SBS helped guide local authorities in their transition to becoming smart cities. This involved a Smart City Scan and the development of a Smart City strategy, as well as prototyping, co-creation and the practical implementation of the strategy itself.

In the corporate sector, Belfius builds on mutual trust and respect in order to develop sustainable and long-term client relationships. This aspiration for client intimacy means that Belfius does not focus on only selling products, but also on advising, servicing and consulting with clients. To realise these objectives Belfius took a series of actions over the past few years, including:

- developing employee benefit products with a focus on mobility solutions (e.g., car leases), wage improvements (e.g., warrants and bonuses) and risk protection (e.g., hospitalisation, group insurance and collective pension plans);
- supporting international trade and mitigating related risks through trade finance (e.g., documentary credits, warranties and standby letters of credit), international payment solutions and cash pooling; and
- assisting clients with working capital management through the development of sound strategies and in-depth analyses of inventory management, credit management, and cash and treasury management.

Belfius is of the opinion that its local proximity to corporate customers and accessible decentralised decision centres provide a key competitive advantage over Belgian banking subsidiaries of international banks, enabling it to respond to customer needs quickly.

PC commercial performance in 1H 2019

On 30 June 2019, **total savings and investments** of PC customers stood at EUR 34.1 billion, an increase of 4.2% compared with the end of 2018. **On-balance sheet deposits** decreased by EUR 0.4 billion (-1.7%), to EUR 22.4 billion. The **off-balance sheet investments** of PC customers registered an increase of 19% to reach EUR 11.2 billion, following excellent activity in the corporate commercial paper business line. **Life insurance reserves for investment products** amounted to EUR 0.6 billion.

Total loans to PC customers increased by EUR 1.4 billion (+3.5%) to EUR 41.1 billion. Outstanding loans in Public and Social banking slightly decreased mainly due to continued low demand and the structural shift to more alternative financing sources through (Debt) capital markets. Belfius' commercial strategy towards Belgian corporates results in an increase of 12.3% (compared to December 2018) of outstanding loans to EUR 14.6 billion at the end of June 2019. Off-balance sheet commitments decreased with 2.3% to EUR 20.0 billion.

Belfius granted EUR 3.7 billion (+21%) of new long-term loans to Corporate customers and the Public sector in 1H 2019. Long-term loan production for Corporate customers increased by 13% to EUR 2.6 billion. This increase is a.o. the result of our growth ambition in this corporate segment and Belfius' pertinent and clear positioning as a "Business to Government" market specialist.

Despite continued low loan demand in 1H 2019, Belfius granted EUR 1.1 billion in new long-term funding to the Public sector. The bank is and remains uncontested market leader, and replies to every funding tender from Public sector entities. It manages the treasury of practically all local authorities.

Belfius also confirmed its position as leader in Debt Capital Markets (DCM) for (semi-)Public and Corporate customers by offering diversified financing solutions. During 1H 2019, the bank has placed a total funding amount of EUR 3.9 billion short term and EUR 0.6 billion long term notes (allocated amount) for public and social sector clients and kept its level of participation rate at 86%. With a participation rate of 80% in new long term bond issuance, Belfius also confirmed during 1H 2019 its position as leader in bond issues for Belgian corporate clients.

Belfius also structured and placed capital market transactions within Equity Capital Markets (ECM), such as IPO's, capital increases and private placement of shares for various corporate clients in 1H 2019. These mandates were executed in close cooperation with Kepler Cheuvreux, Europe's leading independent equity broker, with whom Belfius entered into a strategic partnership end 2017 to create a new equity franchise with strong local presence in Belgium.

With regard to insurance activities, total gross written premiums in the Public and Corporate segment amounted to EUR 218 million in 1H 2019. Gross written premiums in the life segment amounted to EUR 150 million in 1H 2019, an increase of 6.3% compared to 1H 2018, a good performance despite the historically low interest rate environment. Gross written premiums in the non-life segment amounted to EUR 68 million in 1H 2019, a decrease of almost EUR 17 million or -20% compared to 1H 2018. Please be reminded that in 2Q 2018, Belfius Insurance decided to focus its non-life insurance business on the segment of social sector through direct distribution and to put the non-life activities towards other institutional and corporate customers through the brokerage and bank channel in run-off, and to reallocate freed-up resources to its strong developing non-life insurance business with SME customers through its own (bank and DVV) distribution channels.

PC net income after tax amounted to EUR 117 million in 1H 2019 compared to EUR 127 million in 1H 2018.

7.5.3. Group Center (GC)

Group Center operates through two sub-segments:

- Run-off portfolios, which are mainly comprised of:
 - a portfolio of bonds issued by international issuers, especially active in the public and regulated utilities sector (which includes the UK inflation-linked bonds), covered bonds and ABS¹⁸/RMBS¹⁹, the so-called ALM Yield bond portfolio;
 - a portfolio of credit guarantees, comprising credit default swaps and financial guarantees written on underlying bonds issued by international issuers, and partially hedged by Belfius with monoline insurers (mostly Assured Guaranty); and
 - a portfolio of derivatives with Dexia entities as counterparty and with other foreign counterparties;
- ALM liquidity and rate management and other Group Center activities, composed of liquidity and rate management of Belfius (including its ALM Liquidity bond portfolio, derivatives used for ALM management and the management of central assets) and other activities not allocated to commercial activities, such as corporate and financial market support services (e.g. Treasury), the management of two former specific loan files inherited from the Dexia era (loans to *Gemeentelijke Holding/Holding Communal* and Arco entities), and the Group Center of Belfius Insurance.

These portfolios and activities are further described below:

7.5.3.1. Bond Portfolio

ALM Liquidity bond portfolio

The ALM Liquidity bond portfolio is part of Belfius Bank's total LCR liquidity buffer and is a well diversified, high credit and liquidity quality portfolio.

At the end of June 2019, the ALM Liquidity bond portfolio stood at EUR 8.0 billion²⁰, up EUR 0.3 billion or 4% compared to December 2018, mainly due to a reinvestment program in LCR eligible bonds. End of June 2019 the portfolio was composed of sovereign and public sector bonds (62%), covered bonds (31%), asset-backed securities (4%) and corporates bonds (3%). The Belgian and the Italian government bonds in the ALM Liquidity bond portfolio amounted respectively to EUR 1.5 billion and to EUR 1.5 billion as of 30 June 2019.

At the end of June 2019, the ALM Liquidity bond portfolio has an average life of 8.2 years, and an average rating of BBB+ (100% of the portfolio being investment grade (IG)).

ALM Yield bond portfolio

The ALM Yield bond portfolio of Belfius Bank is used to manage excess liquidity (after optimal commercial use in the business lines) and consists mainly of high quality bonds of international issuers.

At the end of June 2019, the ALM Yield bond portfolio stood at EUR 3.5 billion²¹, down 2% compared to December 2018, mainly due to amortizations. End of June 2019, the portfolio was composed of corporates (71%), sovereign and public sector (13%), asset-backed securities (9%), and financial institutions (7%). Almost 85% of the corporate bonds, mainly composed of long-term inflation linked bonds, are issued by highly-regulated UK utilities and infrastructure companies such as water and electricity distribution companies. These

¹⁸ Asset-Backed Securities.

¹⁹ Residential Mortgage-Backed Securities.

²⁰ Nominal amount.

²¹ Nominal amount.

bonds are of satisfactory credit quality, and the majority of these bonds are covered with an issuer credit protection by a credit insurer (monoline insurer) that is independent from the bond issuer.

At the end of June 2019, the ALM Yield bond portfolio has an average life of 20.0 years and the average rating remained at A. 95% of the portfolio is investment grade (IG).

7.5.3.2. Derivatives portfolio

Derivatives with Dexia-entities and foreign counterparties

During the period it was part of the Dexia Group, former Dexia Bank Belgium (now Belfius Bank) was Dexia Group's "competence center" for derivatives (mainly interest rate swaps): this meant that all Dexia entities were able to cover their market risks with derivatives with Dexia Bank Belgium, mainly under standard contractual terms related to cash collateral. Former Dexia Bank Belgium systematically rehedged these derivative positions externally, as a result of which these derivatives broadly appear twice in Belfius accounts: once in relation to Dexia-entities and once for hedging. The remaining outstanding notional amount of derivatives with Dexia-entities and non collateralized interest rate derivatives with international non financial counterparties amounted to EUR 20.5 billion²² at the end of June 2019 (compared to EUR 26.4 billion at the end of December 2018), of which EUR 16.4 billion with Dexia entities (compared to EUR 21.6 billion at the end of December 2018). The fair value of those Dexia derivatives amounts to EUR 3.3 billion.

At the end of June 2019, the average rating of the portfolio stood at BBB+ and the average residual life of the portfolio stood at 13.0 years²³. The decrease in average rating (from A- as of year-end 2018) relates to a derisking action (novation of uncollateralized derivatives from a AAA-rated counterparty).

Credit guarantees

At the end of June 2019, the credit guarantees portfolio amounted to EUR 3.7 billion²⁴, down 2% compared to December 2018, mainly due to amortizations. It relates essentially to Financial Guarantees and Credit Default Swaps issued on corporate/public issuer bonds (86%) and ABS (14%). The good credit quality of the underlying reference bond portfolio, additional protection against credit risk incorporated in the bond itself and the protections purchased by Belfius mainly from various monoline insurers (US reinsurance companies, essentially Assured Guaranty) result in a portfolio that is 100% investment grade (IG) in terms of credit risk profile. This portfolio also contains Total Return Swaps for an amount of EUR 0.4 billion.

At the end of June 2019, the average rating of the portfolio remained at A- and the average residual life of the portfolio stood at 9.9 years.

7.5.3.3. Other Group Center activities

The other activities allocated to Group Center include:

- the interest rate and liquidity transformation activity performed within ALM, after internal transfer pricing with commercial business lines, including the use of derivatives for global ALM management;
- the management of two legacy loan files inherited from the Dexia era, i.e., the investment loans to two groups in liquidation, namely *Gemeentelijke Holding/Holding Communale* and some Arco entities;
- the results from hedging solutions implemented for clients (so-called financial markets client flow management activities);

²² Nominal amount.

²³ Calculated on EaD.

²⁴ Nominal amount.

- the results of treasury activities (money market); and
- the results including revenues and costs on assets and liabilities not allocated to a specific business line.

The Group Center of Belfius Insurance is also fully allocated to these other Group Center activities. The Belfius Insurance Group Center contains income from assets not allocated to a specific business line, the cost of Belfius Insurance's subordinated debt, the results of certain of its subsidiaries and costs that are not allocated to a specific business line.

Financial results GC

GC net income after tax stood at EUR -49 million in 1H 2019, compared to EUR -34 million in 1H 2018.

7.6. Post-balance sheet events

Interim dividend

The Board of Directors of 8 August 2019 has decided to pay out an interim dividend of EUR 100 million to be paid in 3Q 2019.

7.7. Risk Management

Credit risk management within Belfius bank

When granting credits to individuals (essentially mortgage loans), to self-employed persons and to small enterprises, Belfius Bank employs standardised and automated processes including credit scoring and/or rating models. Changes in objective information are reflected in the credit grade of the relevant borrower with the resultant grade influencing the management of that borrower's loans. There is a risk that Belfius Bank's credit scoring and/or rating processes may not be effective in evaluating the credit quality of customers for instance in case of structural changes in the economy of clients' behaviours or in identifying changes in loan quality in a timely manner. Any such failure in the timely identification of loan impairment could materially adversely affect Belfius Bank's business, results of operations, financial condition and prospects.

When granting credits to medium-sized and large enterprises as well as Public and Social Banking customers, an individualised approach is implemented. Credit analysts examine the file autonomously and define the customer's internal rating. Then a credit committee takes a decision on the basis of various factors such as clients' financial situation (e.g. in relation to liquidity and capital), the customer relationship, the customer's prospects, the credit application and the guarantees. In the analysis process, credit applications are carefully examined and only accepted if continuity and the borrower's repayment capacity are demonstrated. To support the credit decision process, a Risk Adjusted Return on Capital ("**RAROC**") measures the expected profitability of the credit transaction or even of the full relationship with the customer, and compares it with a required RAROC level (target rate). As such, the RAROC is an instrument for differentiating the risks and for guiding the return combinations in an optimal way.

Belfius Bank has further intensified its strategy of being close to its customers. This approach provides a significant added value to Belfius Bank's customers, regardless of the segment in which they operate. Credit and risk committees are regionalised and decision-making powers are increasingly delegated to the regional commercial and credit teams, strengthening the principle of decision-by-proximity. This has resulted in a greater involvement of the various teams in the decision-making process, as well as stronger monitoring of the use of the delegated powers mentioned above.

Belfius Bank monitors the evolution of the solvency of its borrowers throughout the whole credit lifecycle. The different portfolios of the Retail and Commercial Business for which risk management relies on a portfolio approach are reviewed periodically. Customer ratings, using an individualised approach, are also updated periodically, in line with the bank's choice to apply AIRB models. The economic review process of credit

applications is intended to ensure that any signs of risk can be detected in time and subsequently monitored and/or addressed. This review process is organised, according to the Credit Review Guideline, in an annual cycle, with in-depth analysis for customers with important credit exposures and/or significant (positive or negative) evolutions in their risk profile.

Fundamentals of credit risk in 2018

Banking activities in Retail and Commercial

The Belgian GDP growth slowed down slightly in 2018 compared with previous year. The employment growth, however, remained important and the inflation hardly cooled down. Against this background, lending to the Retail and Commercial business line remained at a high level, and this based on a stable lending policy in general, albeit adjusted for some elements (see further).

The production of consumer loans in 2018 was 20% higher than the previous year. Mainly the volume of car loans and loans for private use increased sharply due to commercial actions. The criteria used for granting consumer loans remained generally unchanged from the preceding years and in line with the “Responsible Lending” charter of the Belgian Financial Sector Federation (Febelfin). The production of consumer loans applied via mobile channels came at cruising speed in 2018; 20% of the consumer loans were applied by using the Belfius App. The rules for evaluating mobile loan requests remained basically the same as for loans requested through traditional channels. Belfius remains however very vigilant on the risk profile of mobile loan requests, both in terms of credit risk and fraud risk.

The production of mortgage loans was very sustained throughout 2018, and remained at almost the same level the previous years. The early repayment wave (and the consecutive internal financing) which characterized 2015 and 2016, faded out in 2017 and disappeared almost completely in 2018. Nevertheless, Belfius’ portfolio of mortgage loans substantially grew over 2018, due to the increased financing of new real estate projects, i.e. property acquisitions or constructions. The share of loans with a higher LTV combined with a longer maturity in the portfolio slightly increased, because of the evolution of the product mix (higher proportion of loans to younger borrowers for a first home acquisition). Notwithstanding this evolution, the overall credit quality of the mortgage portfolio remained excellent and even slightly improved (as illustrated by the average probability of default).

The historical low risk level of the mortgage portfolio is also reflected by the cost of risk that remains at a very low level. The Risk Department continued its reinforced monitoring of the potential higher risk segments of mortgage loans (combinations of longer repayment terms, higher loan-to-value financing ratios and higher debt service costs vs. income ratios, as well as buy-to-let transactions). The results of this monitoring are presented periodically through the appropriate governance channels (i.e. the various credit risk-related committees, including the Management Board, the Audit Committee and the Risk Committee). On this basis, the Bank took measures to keep production in these niches within strict limits. This approach is in line with the concerns expressed by the National Bank of Belgium with regard to the evolution of the Belgian residential real estate and mortgage market.

Belfius has more than 275,000 self-employed workers, professionals and SMEs as customers. Each one of them can rely on the personal service of a business banker. Belfius Bank’s approach to have lending decisions for business loans taken by local teams working close to the customer was further intensified in 2018. This strategy contributes to a better customer service while numerous tests and realised statistics indicate that the risk remains under control. The continuous fine-tuning of the decision-making logic and the enhanced and quickly reactive monitoring on deteriorating risk profiles is bearing fruit. Through the continuation of the “Go4Credits” project, Belfius enhanced also in 2018 the efficiency of its credit approval process for the Commercial Business line.

The overall profitability and strength of Belgian SMEs remained good, although the latter are more and more confronted with a changing consumer pattern (e.g. e-commerce). In 2018, according to Graydon, 10,714 companies were forced to cease business against 10,831 in 2017, a decrease of 1.08 %. However, the number of bankruptcies (3,102) in the Brussels-Capital Region remained at a very high level. This is an increase of 14.8 %

compared with 2017, an absolute record. The average size of failed companies declined in considerable measure through 2018. Merely 2 companies with more than 100 employees went bankrupt, which is unique. As a result, the number of jobs put at risk by a bankruptcy of the employer decreased substantially faster than the number of bankruptcies. When looking at the relation between sectors and jobs put at risk due to a bankruptcy, the catering industry and the construction industry still swallow the highest job losses. But there is a fundamental difference between both industries: never before more jobs were lost in the catering industry, while the number of jobs put at risk in the construction industry decreased. Overall, the cost of business loans at Belfius Bank remained at a good risk/return level and within the target levels. Belfius therefore intends to keep supporting the production of business loans, also in relation to start-ups. At the same time, the Risk department continues the improvement of the process of early warning indicators in order to keep permanently the risks in this market segment well under control.

Banking activities in Public and Corporate

In 2018, Belfius kept providing the public and social sector, as well as mid & large companies, with an extensive and integrated range of dedicated products and services. It strengthened its partnership with the customers from the public and social sector by continuing to invest in having an in-depth knowledge of their needs and continuing to be able as such to offer them new and tailored solutions to fund their operations, manage their finances and meet their insurance requirements. The strategy to also become the reference partner for corporates that service this public and social sector (Business-to-Government) was further implemented.

The Public Sector loans portfolio maintained its very low risk profile. The balance of payments of the majority of Belgian municipalities showed in 2018 an equilibrium, or even a surplus. Local authorities continue in such a way their collective contribution to the budgetary surplus of the country as a whole. Another eye-catching evolution in 2018 was the decline of indebtedness of municipalities, together with the decrease of the interest charges. (historic low interest). Nevertheless, 4 big challenges with an important financial impact will remain for the local authorities in the following years:

- the expected growth of the pension costs related to their statutory staff;
- the demographic evolution (the ageing population in general and the population growth in the big cities) and social cohesion;
- the impact of the tax shift that gradually erodes the taxable basis of the personal income tax;
- the investment capacity of local authorities in the context of the Stability Pact (ESA-standards).

In such a way, it is not surprising that the local landscape is changing fast. Just as the police zones in the past, the former municipal fire brigades are transformed into a separate local public administration: the ‘assistance’ zone. Municipalities and provinces pass on more and more specific activities to autonomous companies. Public centers for social welfare increasingly create associations that take over their custodial activities, and 15 Flemish municipalities merged into 7 new municipalities in early 2019. At the same time, provinces lose a part of their competences and financial means, while municipalities and regional agencies take over some of their assignments.

From a risk management point of view, the hospital sector remains a focus of attention. The hospital sector continues to show a sound financial structure from an aggregated point of view, but the evolution of the profit and loss accounts is more worrying. Especially smaller hospitals are struggling to survive. They insist on an alternative financing with more money for their nursing activities. Currently they are losing money on these activities, what they try to compensate through profits on medical devices and pharmacy. The government is however not ready for such a reform. The competent minister first requires regional collaboration, in order to develop thereupon a healthier sector within the same budget. For this purpose a first step was taken in November 2018. An agreement was reached on the repartition of the 25 future hospital networks. There will be 13 networks in Flanders, 8 in Wallonia and 4 in Brussels. The hospitals determine themselves with who and how they will

collaborate. Nevertheless, there must be clarity not later than 1 January 2020. At that moment it should be clear who closes which departments and which hospitals concentrate which activities.

Belfius' corporate business is focused on Belgian companies with a turnover in excess of EUR 10 million. Belfius has taken the necessary measures to ensure that her growth strategy in this segment goes hand in hand with a good creditworthiness and acceptable risk concentrations. The credit profile of the corporate lending remained fairly stable during 2018, which also meant that the cost of risk remained at an acceptable level and within the limits set. Real GDP growth in Belgium slowed down slightly in 2018 to 1.5%, driven by the normalising pace of the expansion of business investments and the slowing export. The progress of private consumption, however, was supported by the increasing purchasing power, even though the employment growth steadily lost power. Protectionist measures often have a bigger negative impact than just their direct effect on the countries concerned or the products affected, because of the uncertainty created by such measures, and because of the global interconnectedness of the production chains. The escalating trade war between China and the USA, but also the budget problems in Italy or a hard Brexit can in such a way spoil 2019. Belfius keeps monitoring actively the global Brexit risks and impacts at a portfolio level. Until now, this monitoring did not reveal elements leading to a special concern.

Belfius monitors sector risks in a proactive way and defined specific measures with regard to a limited number of more vulnerable sectors. In the shipping industry, Belfius Bank continued to focus exclusively, as it has done in previous years, on shipping companies and other shipping-related businesses that have a commercial relationship with the Bank and a clear link with the Belgian economy. Connections with companies that do not meet these criteria were further substantially reduced in the course of 2018, mainly through a targeted pruning action that was already started in 2017. The residual credit risk on these companies has been reduced to a negligible level. The shipping industry experienced in 2018 a consolidation unprecedented since 2014. With costs rising, rates limping and private-equity investors seeking exits, more consolidation should follow.

Real estate financing, related to both residential and commercial real estate, is an important business activity within Belfius. Also on industry level, the Bank's lending activity in the real estate sector continues to increase considerably. The evolution of real estate financing over the last years is to be evaluated in the context of the following factors: the sustaining low interest rate environment, the fact that Belgian banks have a large deposit base and are confronted with a search for yield, the gross debt ratio of Belgian households that has increased and has recently slightly exceeded the average EUR area ratio. This combination of elements induces a concern at NBB level about an overvaluation of the Belgian (residential) property and about the threat of strong volume growth with potentially lower credit standards, lower margins and low provisioning levels. Belfius is aware of these potential pitfalls and has traditionally applied strict origination and acceptance criteria (LTV, maturity, collateral valuation) on new transactions and a solid monitoring of projects, in both residential and commercial real estate financing. Belfius real estate credit exposure is considered as being correctly diversified in terms of underlying asset types, individual name concentration and geographical spread.

Finally, it is worth mentioning that Belfius further intensified its portfolio management in the course of 2018, in the first place through the gradual sale of higher risk exposures and/or exposures that are no longer considered as being core business (e.g. shipping-related business without a commercial relationship), but also by developing risk hedging and risk sharing programs.

Insurance

The management of the credit risk of Belfius Insurance is the responsibility of Belfius Insurance risk management team, albeit in collaboration with the credit risk teams of Belfius Bank and aligned with the risk management guidelines that are applicable for the whole Belfius group. As such, this implies that credit limits are defined on a consolidated basis and that transfers of limits between the Bank and Insurance are permitted, on the condition that both parties agree. The CROs of Belfius Bank and Belfius Insurance coordinate the requests among each other.

Exposure to credit risk

Belfius Bank measures its credit risk in terms of Full Exposure at Default (“FEAD”)²⁵

The definition of FEAD is determined as follows:

- for balance sheet assets (except for derivatives): the gross carrying amounts (before credit risk adjustments);
- for derivatives: the fair value of derivatives after netting, increased with the potential future exposure calculated under the current exposure method (add-on);
- for Securities Financing Transactions (repo’s and reverse repo’s): the carrying amount as well as the excess collateral provided for repurchase agreements;
- for off-balance sheet commitments: either the undrawn part of credit facilities or the maximum commitment of Belfius for guarantees granted to third parties.

Belfius credit risks are based on a consolidation scope that includes its fully consolidated subsidiaries, Belfius Insurance included.

At 30 June 2019, the total credit risk exposure within Belfius reached EUR 170.8 billion, an increase of EUR 4.0 billion or 2.4 % compared to the end of 2018.

At bank level the credit risk exposure increased with 2.6 % to EUR 156.7 billion. At the level of Belfius Insurance, the credit risk exposure went up by 1% to EUR 14.1 billion at 30 June 2019.

Breakdown of credit risk by counterpart

(FEAD, in EUR billion)	31/12/2018	30/06/2019	of which	
			Bank	Insurer
Central governments	20.5	20.3	14.4	5.9
<i>of which government bonds</i>	9.6	9.8	4.1	5.7
Public sector entities	45.7	45.5	43.7	1.9
Corporate	32.9	35.5	34.1	1.4
Monoline insurers	4.5	4.6	4.6	-
ABS/MBS	0.8	0.8	0.7	0.1
Project Finance	2.2	2.6	2.6	-
Individuals, self-employed and SME's	47.9	49.4	45.7	3.7
Financial institutions	12.1	12.1	11.0	1.1
Other	-	-	-	-
Total	166.7	170.8	156.7	14.1

The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities (27% of the total) and on individuals, self-employed and SMEs (29% of the total) constitute the two main categories. The credit risk exposure on public sector entities was stable, while the credit risk exposure on individuals, self-employed and SMEs increased by EUR 1.5 billion due to increasing commercial activities. The expansion of Belfius’ corporate activities is also reflected in higher credit risk exposure (+EUR 2.6 billion) for this segment leading to an increase of its relative proportion from 20% by the end of 2018 to 21% by June 2019.

The relative proportion of the segment central governments remained stable at 12%. Half (50%) of the government bonds portfolio is invested in Belgian government bonds at the Group level. While at bank level the

²⁵ Belfius uses the term of Full EAD or FEAD. Full Exposure At Default (FEAD) is the total exposure at default (EAD), including the total amount of a free credit line and other off-balance-sheet transactions (with the exception of derivatives), before application of credit conversion factors (CCF). EAD is an estimation of the maximum extent to which a bank may be exposed to a counterparty in the event of, and at the time of, that counterparty’s default.

Belgian government bonds represents 39% of the total government bond portfolio, the relative proportion at Belfius Insurance stood at 58%.

The credit risk exposure on financial institutions remained stable during the first half of 2019 (at 7% on 30 June 2019). The credit risk on monoline insurers on bonds issued by issuers principally active in infrastructure and public utilities projects is predominantly an indirect risk arising from credit guarantees written by Belfius Bank and reinsured with monoline insurers. During the first half of 2019, their relative proportion was stable at 2.7%.

Belfius' positions are mainly concentrated in the European Union: 96% or EUR 150.5 billion at bank level and 98% or EUR 13.8 billion for Belfius Insurance. The total relative credit risk exposure on counterparties situated in Belgium is 75%, 6% in the United Kingdom, 4% in France, 2.4% in the United States and Canada and 1.4% both in Spain and in Italy.

The credit risk exposure to counterparties in the United Kingdom amounted to EUR 9.6 billion as of end June 2019. About half of this credit risk exposure concerns bonds, of which close to two-third are inflation-linked, issued by utilities and infrastructure companies in the United Kingdom that operate in regulated sectors such as water, gas and electricity distribution. These bonds are of satisfactory credit quality (100% investment grade), and moreover the majority of the outstanding bonds are covered with a credit protection issued by a credit insurer that is independent from the bond issuer. The remainder concerns the bond portfolio of Belfius Insurance, a short-term credit portfolio for treasury management of Belfius Bank and receivables on clearing houses. The credit risks on those portfolios are also of good credit quality.

The risks linked to a hard Brexit for Belfius have decreased compared to last year due to the temporary recognition of LCH as a Qualified Central Clearing Counterparty. This implies that the clearing services can be continued without interruption until December 2020 which should leave sufficient time for a full recognition. Belfius has also become direct clearing member of Eurex as an additional mitigant.

At 30 June 2019, 82% of the total credit risk exposure had an internal credit rating of investment grade (IG).

Asset quality

At the end of June 2019, the amount of impaired loans was EUR 1,806 million, a decrease of 3.1% compared to year-end 2018, driven by pruning, write-offs and files returning to performing. During the same period, the gross outstanding loans to customers increased by 2.2% and amounted to EUR 92,758 million as the end of June 2019. As a consequence, the asset quality ratio improved from 2.05% at year-end 2018 to 1.95% at the end of June 2019. The stage 3 impairments on loans decreased by 2.3%. As such, the coverage ratio increased to 62.1% at the end of June 2019 compared to 61.6% at the end of 2018. The stage 1 & 2 impairments on loans and advances to customers increased by EUR 32 million from end 2018 to EUR 369 million at the end of June 2019, as a result of the growth of the portfolio and underlying evolutions.

Market risk– non financial markets activities

Managing structural exposure to market risks (including interest rate risk, equity risk, real estate risk and foreign exchange risk) is also known as Asset & Liability Management (ALM). The structural exposure at Belfius results from the imbalance between its assets and liabilities in terms of volumes, durations and interest rate sensitivity.

Belfius' Board of Directors has the ultimate responsibility for setting the strategic risk tolerance, including the risk tolerance for market risks in non financial markets activities. The Management Board of Belfius Bank and Belfius Insurance have the ultimate responsibility for managing the interest rate risks of Belfius within the above set risk tolerance and within the regulatory framework.

The real operational responsibility of the effective asset & liability management (ALM) is delegated to the Asset & Liability Committee (ALCo). The ALCo manages interest rate risk, foreign exchange risk, and liquidity risk of the Bank's respectively insurer's balance sheet within a framework of normative limits and reports to the Management Board. Important files at a strategic level are submitted for final decision to the Management Board, that has the final authority before any practical implementation.

The ALCo of the Bank is responsible for guiding and monitoring balance sheet and off-balance sheet commitments and, doing so, places an emphasis on:

- the creation of a stable income flow;
- the maintenance of economic value;
- the insurance of robust and sustainable funding.

The ALCo meets regularly, chaired by the Chief Financial Officer (CFO), with meetings attended by the Chief Risk Officer (CRO) and members of the Management Board responsible for commercial business lines (or their mandatees).

The ALCo of Belfius Insurance plays the same role for the insurance company pursuing the same objectives but with a focus on the economic value and solvency according to the Solvency II regulation. The risk indicators are calculated based on a harmonised risk method for Belfius, supplemented by factors specific to Belfius Insurance relating to their risk management.

Liquidity risk

Liquidity management framework

Belfius Bank manages its liquidity with a view to comply with internal and regulatory liquidity ratios. In addition, limits are defined for the balance sheet amount that can be funded over the short term and on the interbank market. These limits are integrated in the Risk Appetite Framework (RAF) approved by the Board of Directors and reported on a quarterly basis. Available liquidity reserves also play a key role: at any time, Belfius Bank ensures it has sufficient quality assets to cover a temporary liquidity shortfall, both in normal markets and under stress scenarios. Belfius Bank defined specific guidelines for the management of LCR eligible bonds and non LCR eligible bonds, both approved by the Management Board. All this is laid down in liquidity guidelines, approved by the ALCo.

Asset and Liability Management (ALM), a division situated within the scope of the Chief Financial Officer (CFO), is the front-line manager for the liquidity requirements of Belfius Bank. ALM analyses and reports on current and future liquidity positions and risks. It defines and coordinates funding plans and actions under the operational responsibility of the CFO and under the general responsibility of the Management Board. The CFO also bears final operational responsibility for managing the interest rate risk contained in the banking balance sheet via the ALM department and the ALCo, meaning that total bank balance sheet management lies within its operational responsibility.

ALM organises a weekly Assets and Liabilities Forum (ALF), in presence of the Risk department, the Treasury department and representatives of the commercial business lines. This forum coordinates the implementation of the funding plan validated by ALCo.

ALM monitors the funding plan to guarantee Belfius Bank will continue to comply with its internal and regulatory liquidity ratios.

ALM reports on a daily basis to the CFO and CRO and on a monthly basis to the Board of Directors about the Bank's liquidity situation.

Second-line controls for monitoring the liquidity risk are performed by the Risk department, which ensures that the reports published are accurate and challenges the retained assumptions and models.

In addition to the RAF-limits, a set of liquidity Key Risk Indicators (KRI) is defined in the liquidity guidelines. Compliance with KRI is monitored and reported on a daily basis. The objective of these KRI is to remain sufficiently liquid and to respect regulatory liquidity ratios in stress situations. Several stress simulations have been defined which take into account action plans with recovery measures. These recovery measures are regularly tested in the market.

Next to that a daily liquidity dashboard is generated in order to detect as early as possible any liquidity problems.

ALF also monitors all aspects relating to asset encumbrance:

- Analysis of the potential regulatory and economic impacts of asset encumbrance;
- Coordination of all projects that impact asset encumbrance;
- Optimisation of the asset allocation.

Consolidation of the liquidity profile

During the first half of 2018, Belfius consolidated its diversified liquidity profile by:

- maintaining a funding surplus within the commercial balance sheet;
- continuing to obtain diversified long-term funding from institutional investors by issuing, amongst others, a benchmark covered bond and new Tier 2 instruments;
- collecting short and medium-term deposits (Commercial Paper (“CP”)/Certificates of Deposit (“CD”)/European Medium Term Notes (“EMTN”)) from institutional investors.

Belfius Bank participated in the ECB TLTRO II funding programme for an amount of EUR 4.0 billion with the purpose to finance investment needs of SMEs, social sector and retail clients (mortgage loans excluded).

Belfius Bank reached end of June 2019 a 12 month average Liquidity Coverage Ratio (LCR) of 132%²⁶. The LCR of the Bank has remained above 100% during the first semester of 2019.

The Net Stable Funding Ratio (NSFR), based on our current interpretation of current Basel III rules, stood at 115% end of June 2019.

Therefore, Belfius Bank currently complies with the CRD IV requirements (minimum requirements both LCR and NSFR set at 100% as from 1 January 2018).

However, failure to comply with these ratios in the future may lead to regulatory sanctions.

Wholesale funding may also prove difficult if Belfius Bank does not achieve LCR and NSFR ratios comparable to peers

Minimum requirement for own funds and eligible liabilities

In April 2019, the National Bank of Belgium (NBB) has notified Belfius Bank of the MREL requirement imposed by the Single Resolution Board (SRB).

The Bank Recovery and Resolution Directive (BRRD) provides that institutions established in the European Union (EU) should meet a minimum requirement for own funds and eligible liabilities (“MREL”) to ensure an effective and credible application of the bail-in tool. The SRB MREL determination follows the methodology laid down in the “SRB 2017 MREL Policy”, published by the SRB on 20 December 2017. The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds (TLOF²⁷).

The SRB determines the consolidated MREL requirement for Belfius Group at the level of 10.56% of its total liabilities and own funds, to be met at all times and taking into account an evolving balance sheet. Based upon data as of 30 June 2019, the MREL requirement of 10.56% of TLOF amounts to EUR 14.08 billion. Based upon data as of 30 June 2019, Belfius’ MREL of EUR 16 bn exceeds the MREL requirement.

Following the current SRB methodology, Belfius Group exceeded the MREL requirement based on data 31 December 2017, and hence no transitional period has been defined by the SRB for Belfius.

²⁶ Belfius discloses a 12 month average LCR in accordance to EBA guidelines on LCR disclosure.

²⁷ TLOF : based on prudential scope of consolidation with prudential netting of derivatives exposures.

As mentioned in the 2018 SRB Policy for the second wave of resolution plans, the SRB has also set out a subordination benchmark for O-SIIs²⁸. Applying this benchmark, using current CBR²⁹ applicable to Belfius, would lead to a level of 18.07%³⁰ of the total risk exposures. Based upon data as of 30 June 2019, Belfius achieves a subordinated MREL level of 21.3% of RWA.

The SRB reserves the right to adjust the aforementioned policy at a later stage in the light of the future design of the BRRD and further development of the MREL policy. Following the publication of the Banking Package in the Official Journal of the EU on 7th June 2019 and the CRR2 that came into force on 27th June 2019, Belfius will be impacted by a change in MREL eligibility as “liabilities should be directly issued and should not be owned by an undertaking in which the institution has a participation of more than 20%”. As a consequence, Belfius will have to exclude liabilities issued by Belfius Financing Company, i.e. Belfius’ Luxembourg based issuance vehicle for CP and Retail Bonds (that are currently partly accounted for as MREL eligible instruments). Excluding these retail senior securities may lead to a manageable MREL shortage. Current understanding is that, in case of shortage, the SRB will define a transition period that it will communicate together with the updated MREL requirement based on BRRD2, expected to apply from 1H 2021 onwards.

Liquidity reserves

At the end of June 2019, Belfius Bank had readily realisable liquidity reserves of EUR 29.5 billion. These reserves consisted of EUR 8.6 billion in cash, EUR 11.7 billion in ECB eligible bonds (of which EUR 8 billion are CCP-eligible³¹), EUR 6.8 billion in other assets also eligible at the ECB and EUR 2.4 billion in other liquid bonds.

These liquidity reserves represent 4.5 times the Bank’s institutional funding outstanding end of June 2019 and having a remaining maturity of less than one year.

Funding diversification at Belfius Bank

Belfius Bank has a historical stable volume of commercial funding that comes from its RC and PC customers. RC and PC funding equals EUR 93.9 billion of which EUR 70.4 billion is from RC. The increase of EUR 3.7 billion commercial funding compared to end of 2018 is used to finance the increase of commercial loans.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, remained rather stable and stands at 93% at the end of June 2019.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 8.0 billion from covered bonds (EUR 5.6 billion backed by mortgage loans and EUR 2.4 billion by public sector loans), EUR 1.4 billion from Senior Unsecured, and EUR 4.0 billion in TLTRO funding from ECB as at 30 June 2019.

The Non Preferred Senior Bonds of EUR 1.25 billion have enabled Belfius to further contribute to the regulatory requirement of MREL.

The remainder of the Bank’s funding requirements comes from institutional short-term deposits (Treasury) mainly obtained through placement of Certificates of Deposit and Commercial Paper.

Next to that, Belfius Bank also has a historical bond portfolio, including an ALM portfolio for liquidity management purposes, with highly liquid assets.

As a result of derivative contracts to cover interest rate risk of its activities, Belfius Bank has an outstanding position in derivatives for which collateral must be posted and is being received (cash & securities collateral).

²⁸ Other Systemically Important Institutions.

²⁹ Combined Buffer Requirement.

³⁰ 18.07% = 14% + CBR.

³¹ CCP = Central Counterparties.

Against the background of historical low interest rates, in net terms, Belfius Bank posts more collateral than it receives.

Encumbered assets

Like every credit institution, a non-negligible part of Belfius Bank's assets are collateralised (by means of an outright pledge, repo transaction or otherwise). The amount of assets pledged is linked to the funding granted by external parties who demand collateral to mitigate the potential risk on the Issuer.

Finally, it should be noted that the Banking Law introduced (i) a general lien on movable assets (*algemeen voorrecht op roerende goederen/privilege général sur biens meubles*) for the benefit of the deposit guarantee fund (*garantiefonds voor financiële diensten/fonds de garantie pour les services financiers*) as well as (ii) a general lien on moveable assets for the benefit of natural persons and SMEs for deposits exceeding EUR 100,000. These general liens entered into force on the 3 March 2015. The general liens could have an impact on the recourse that the Special Estate (or any noteholder) would have on the general estate of the Issuer in the case of an insolvency as the claims which benefit from a general lien will rank ahead of the claim of the Special Estate (or any Noteholder) against the general estate in accordance with Article 6, indent 8 of Annex III to the Banking Law. However, this impact should in principle be mitigated by the fact that the Banking Law requires all Belgian credit institutions (including the Issuer) to have sufficient unencumbered assets to meet any claims of depositors as set out in Article 110, §2, indent 2 of the Banking Law. In addition, no Mortgage Pandbrieven can be issued if the amount of the Cover Assets exceeds 8 per cent. of the issuing credit institution's total assets. The value of the Covered Assets is taken into account by the Competent Authority when monitoring compliance with both thresholds. Finally, pursuant to Article 3 of the Regulation of the NBB concerning the practical modalities for the application of the Law of 3 August 2012 that establishes a legal regime for Belgian covered bonds dated 29 October 2012 (*Circulaire van 29 oktober 2012 over de praktische regels voor de toepassing van de wet van 3 augustus 2012 tot invoering van een wettelijke regeling voor Belgische covered bonds/Circulaire du 29 octobre 2012 relative aux modalités pratiques d'application de la loi du 3 août 2012 instaurant un régime légal pour les covered bonds*), the Competent Authority may impose more stringent requirements on a case by case basis, taking into account the level of collateralisation of the Issuer's assets.

For the avoidance of doubt, the general liens for the benefit of the deposit guarantee fund and the depositors only relates to the General Estate of the Issuer. The deposit guarantee fund and the depositors do not benefit from a similar general lien on the Special Estate.

According to Belfius current interpretation of the EBA guideline on the matter, the encumbered assets at Belfius Bank level amount to EUR 34 billion in June 2019 and represent 21.6% of total bank balance sheet and collateral received under securities format, which amounts to EUR 158.2 billion (EUR 154.0 billion assets and EUR 4.1 billion collateral received). This represents a slight decrease of the encumbrance ratio of -0.2% compared to end 2018.

Belfius is active on the covered bond market since the set-up of the first covered bond programme in 2012. In June 2019, the total amount issued was EUR 8.0 billion. End June 2019, the assets encumbered for this funding source are composed of commercial loans (public sector and mortgage loans) and amount to EUR 10.0 billion (increase of EUR 0.1 billion compared to end 2018).

The Bank is also collecting funding through repo markets for a limited amount and other collateralised deposits. End June 2019, the total amount of assets used as collateral for this activity amounts to EUR 6.0 billion, of which EUR 4.6 billion linked to the ECB funding.

The balance of encumbered assets is mainly linked to collateral pledged (gross of collateral received) for the derivatives exposures for EUR 14.3 billion (increase of EUR 1.8 billion compared to end 2018), under the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the Bank concluded derivatives in the opposite direction.

Regarding the “Other assets” (unencumbered) on balance sheet, they are mainly composed of assets not available for encumbrance such as derivatives value, fair value revaluation of portfolio hedge and tax assets.

Operational risk – Non financial risks

The NFR framework determines the principles that ensure an effective management of Belfius’ non-financial risks. The principles are further elaborated in specific Policies/Guidelines adapted to the business activities. These general principles are in compliance with the applicable legal requirements.

The framework is based on four axes:

- a risk mapping and taxonomy in order to ensure consistency within the organization, including a regular review of this mapping and taxonomy to identify emerging risks;
- clear roles and responsibilities, as well as a well-defined way of working together for all the risks based on the 3 Lines of Defense (“**LoD**”) model;
- a strong governance/committee structure involving the appropriate level of management; and
- transversal risk processes and related policies, such as: self-assessment of risks and internal controls, incident monitoring, risk reporting, risk appetite definition and follow up, business continuity and crisis management

The formal definition of a Risk Appetite Framework (RAF) is the key reference for the group Risk Management practice and covers not only Financial Risk but also NFR.

The RAF for NFR contains qualitative and quantitative statements and is articulated around three concepts on which limits are defined:

- “Risks”: What are the risks? How to appreciate the risk level?
- “Returns”: What are the potential losses/gains related to those risks?
- “Capacity”: What is the capacity to absorb/manage the risks?

For NFR, there are two levels of limits: the highest level of risk limits is part of the RAF (with limits and follow-up at Board of Directors/Risk Committee level), and these are further declined into consistent sub-limits with a follow up at NFR Committee level (Management Board level).

Managing NFR is based on the following principles:

- A decentralised responsibility in which each of the Bank’s line management organizations has the primary responsibility for monitoring the NFRs in its individual sphere of activity (first line of defence);
- A systematic collection and control of data on operational incidents;
- A yearly bottom-up Self-Assessment of Risks and Internal Controls in all departments and subsidiaries of Belfius;
- The new product approval process which involves a number of steps and ex-ante risks analysis that must be completed before the new product (product, activity, process or system) can be introduced to the market;
- A correct management of insurance policies;
- An information security which protects Belfius’ information that has a value for the organization;
- A respect for privacy and the protection of personal data (GDPR);
- In collaboration with Internal Audit and Compliance, a fraud risk policy with a zero-tolerance policy for all forms of fraud (internal, external as well as mixed fraud);
- A business continuity policy which requires an analyse of the business impact on critical activities, the development of recovery plans and the testing of the plans regarding business continuity at least once a year.

The reporting mechanisms ensure that the responsible parties are notified quickly if incidents occur. Major incidents are also reported to the CRO/Management Board, and these reports include an action plan for avoiding, mitigating or limiting risks in the future. This action plan is developed under the responsibility of the relevant line management.

For Belfius Insurance and Belfius Investment Partners, the establishment of an overview of operational incidents is also crucial to achieve a better understanding of the operational risk associated with each activity. This constitutes a relevant source of information for management (for example, the annual loss). The major operational incidents are investigated thoroughly and are subject to a specific action plan and appropriate follow-up.

7.8. Ratings

At 18 September 2019, Belfius Bank had the following ratings:

	Long-term rating	Outlook	Short-term rating
Fitch.....	A-	Stable	F2
Moody’s.....	A1	Stable	Prime-1
Standard and Poor’s.....	A-	Stable	A-2

The rating agencies, Standard & Poor’s, Moody’s and Fitch Ratings or other rating agency if applicable, use ratings to assess whether a potential borrower will be able in the future to meet its credit commitments as agreed. A major element in the rating for this purpose is an appraisal of the company’s net assets, financial position and earnings performance. In addition, Belfius Bank is wholly owned by the Belgian federal state through the Federal Holding and Investment Company, and it is possible that, if the ratings assigned to the Belgian federal state were to be downgraded, that could result in the ratings assigned to Belfius Bank being negatively affected. Moreover, as the ownership of a bank is one of the factors taken into in determining a bank’s rating, a change of ownership of Belfius Bank could have a potential impact on the ratings assigned to Belfius Bank. A bank’s rating is an important comparative element in its competition with other banks. It also has a significant influence on the individual ratings of a bank’s important subsidiaries. A downgrading or the mere possibility of a downgrading of the rating of Belfius Bank or one of its subsidiaries might have adverse effects on the relationship with customers and on the sales of the products and services of the company in question. In this way, new business could suffer, Belfius Bank’s competitiveness in the market might be reduced, and its funding costs would increase substantially. A downgrading of the rating would also have adverse effects on the costs to Belfius Bank of raising equity and borrowed funds and might lead to new liabilities arising or to existing liabilities being called that are dependent upon a given rating being maintained. It could also happen that, after a downgrading, Belfius Bank would have to provide additional collateral for derivative transactions in connection with rating-based collateral arrangements. If the rating of Belfius Bank were to fall within reach of the non-investment grade category, it would suffer considerably. In turn, this would have an adverse effect on Belfius Bank’s ability to be active in certain business areas.

7.9. Other information

Belfius Bank is not dependent on any of its subsidiaries, save for Belfius Insurance SA/NV. Belfius Insurance SA/NV holds the licenses required for insurance undertakings, and Belfius Bank consequently relies on it for the insurance activities carried out by it.

There are no recent events particular to Belfius Bank which are, to a material extent, relevant to the evaluation of its solvency.

There are no arrangements known to Belfius Bank, the operation of which may at a subsequent date result in a change of control of Belfius Bank.

Belfius (Belfius Bank and its consolidated subsidiaries) is involved as a party in a number of litigations in Belgium, arising in the ordinary course of its business activities, including those where it is acting as an insurer, capital and credit provider, employer, investor and tax payer.

Belfius recognises provisions for such litigations when, in the opinion of its management taking into account all available elements, including an analysis by its company lawyers and external legal advisors as the case may be,

- a present obligation has arisen as a result of past events,
- it is probable that Belfius will have to make a payment, and
- the amount of such payment can be estimated reliably.

With respect to certain other litigations against Belfius, of which management is aware, no provision has been made according to the principles outlined here above, as the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending litigations, such litigations are without legal merit, can be successfully defended, or that the outcome of these actions is not expected to result in a significant loss.

In the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. Such impact remains unquantifiable at this stage. Note that, apart from the cases listed below, a vigilance has been observed in the prevention of money laundering (AML) in the Belgian financial sector. In this context, as is customary, Belfius is collaborating with the Belgian authorities and monitors this closely.

1. Housing Fund of the Brussels Capital Region

On 9 October 2012, the Housing Fund of the Brussels Capital Region (Woningfonds van het Brussels Hoofdstedelijk Gewest/Fonds du Logement de la Région de Bruxelles-Capitale) summoned Belfius Bank before the Brussels Commercial Court. The Housing Fund subscribed for a total amount of EUR 32,000,000 to 4 treasury notes issued by Municipal Holding (Gemeentelijke Holding/Holding Communal), placed by Belfius acting as dealer under the Municipal Holding commercial paper program, between July and September 2011 (Commercial Paper program). Due to severe financial difficulties encountered by the Municipal Holding, the Housing Fund granted a voluntary waiver to the Municipal Holding on 24 November 2011 and received repayment for EUR 16 million. The Municipal Holding entered into liquidation in December 2011. Due to the intervention of Belfius as dealer of the treasury notes, the Housing Fund demands the payment by Belfius Bank of the non-repaid capital. As the loss incurred on this investment is the result of a voluntary waiver of the claim by the Housing Fund, which matches half of the investment, Belfius Bank rejects the demand from the Housing Fund.

On 27 March 2014, the Brussels Commercial Court accepted the claim application by the Housing Fund, but declared it unfounded.

The Housing Fund lodged an appeal against this judgement on 3 June 2014.

There was no significant evolution in this claim since 2016. The date of the hearings is not yet known.

No provision has been made for this claim.

2. Arco - Cooperative shareholders

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in three separate procedures, i.e. one procedure before the Dutch speaking Commercial Court of Brussels, one procedure

before the Court of First Instance of Antwerp, Section Turnhout and another procedure before the Court of First Instance of Brussels:

- On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) initiated (with support of Deminor) proceedings against the Arco entities and Belfius Bank before the Dutch speaking Commercial Court of Brussels (the “**Deminor Proceedings**”). On 19 December 2014, 1,027 additional shareholders of the Arco entities joined in the Deminor Proceedings. On 15 January 2016, 405 additional shareholders of the Arco entities joined the Deminor Proceedings, resulting in a total of 2,169 plaintiffs. The plaintiffs have requested that the Brussels Court rule, among other things, that:
 - the agreements by virtue of which they became shareholders of the relevant Arco entities are null and void;
 - the defendants should, jointly and severally, reimburse the plaintiffs their financial contribution in these entities plus interest; and
 - the defendants are liable for certain additional damages to the plaintiffs.

The financial contribution of the 2,169 plaintiffs for which reimbursement is sought amounted to approximately EUR 6.5 million (principal amount) as at the date of this Report. The plaintiffs’ claims in the Deminor Proceedings are based on allegations of fraud and/or error on the part of the Arco entities and Belfius Bank. In the alternative, the plaintiffs have argued that Belfius Bank breached its general duty of care as a normal and prudent banker. In relation to Belfius Bank, the plaintiffs have referred to certain letters and brochures allegedly containing misleading information issued by the predecessors of Belfius Bank. The Belgian State and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Commercial Court of Brussels. Belfius Bank has submitted its first legal briefs on 16 August 2018 and the case will normally be pleaded during several pleading sessions in June 2021.

- Separately from the abovementioned proceedings before the Commercial Court of Brussels, on 24 October 2016, three shareholders in Arcopar initiated court proceedings (the “Turnhout Proceedings”) against Belfius Bank before the Court of First Instance of Antwerp, section Turnhout. The plaintiffs in the Turnhout Proceedings request that Belfius Bank is to be held liable to pay an “undetermined provisional amount of 2,100 EUR” per plaintiff plus interest and costs, because they claim that Belfius Bank misled them in subscribing Arcopar-shares. As at the date of this Report, the aggregate amount of the claims of the plaintiffs in the Turnhout Proceedings amounted to approximately EUR 6,300 EUR (principal amount). The plaintiffs base their claims upon promotional material that was distributed by the predecessors of Belfius Bank as well as the Arco entities and the former Belgian Christian collective of workers’ associations (ACW). On 27 February 2017, Belfius Bank summoned Arcopar to intervene in the Turnhout Proceedings and to indemnify Belfius Bank for any amount for which it would be held liable towards the plaintiffs. In subsidiary order, the plaintiffs have also filed a claim against Arcopar and Belfius Bank requesting that their subscription of Arcopar shares is to be declared null and void. On 3 April 2018, the plaintiffs also summoned the Belgian State to intervene in the Turnhout Proceedings. All parties requested the Court to transfer this case to the Court of First Instance of Brussels. The Court decided on 19 November 2018 to grant the requested transfer and this procedure is now joined with the procedure before the Court of First Instance of Brussels.
- Furthermore, on 7 February 2018, 2 cooperative shareholders summoned the Belgian State before the Court of First Instance of Brussels because they state that the Belgian State has made a fault by promising and introducing a guarantee scheme for shareholders of financial cooperative companies (like the Arco cooperative shareholders) which has been considered illicit state aid by the European Commission. These 2 plaintiffs also summoned Belfius Bank on 7 February 2018 to intervene in this procedure, and claim compensation from Belfius Bank because they consider that Belfius Bank erred in

the sale of the Arco shares. Groups of Arco-shareholders organized themselves via social media to mobilize other Arco shareholders to become claimant in this procedure, and to the knowledge of Belfius, as of end June 2019, approximately 5.380 Arco shareholders did so. There is not yet a pleading calendar in this case.

No provision has been made for these claims because Belfius Bank is of the opinion that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit.

3. Ethias

Ethias is managing one of Belfius' pension plans under an insurance agreement whereby Ethias must provide a guaranteed return on the pension reserves. Given the fact that the plan is managed in a segregated fund and that 100% of the financial gains on the underlying assets were contractually allocated to the plan, Belfius had to value these assets at their market value according to IFRS rules (IAS 19). In the course of 2016, Ethias claimed a significant increase in costs. Following Belfius' refusal, Ethias notified its intent to transfer the plan to a "main fund". If that were to occur Belfius would no longer be able to book the plan at the market value of the assets but would rather have to calculate the present value of the reserves based upon Ethias guaranteed return. In order to prevent this, Belfius summoned Ethias before the Court (tribunal de l'entreprise de Bruxelles/ondernemingsrechtbank Brussel) on 12 January 2017.

In 2019, Belfius and Ethias concluded an out of court settlement. The end of the judicial procedure will be acted by the Court. As part of the agreement, the abovementioned pension plan remains segregated. Belfius also received from Ethias the necessary financial information about the plan's assets as to allow a valuation of the plan using the market value of its assets.

4. Funding Loss

Belfius Bank is facing some legal actions regarding the issue of indemnities charged for funding losses incurred by the Bank. The latter are charged to professional clients in the case of early repayment of professional credits. These indemnities are calculated in line with the current legal dispositions and the contractual framework of such credits to reflect the financial losses that are actually incurred by the Bank in the case of early repayment of a professional credit. Belfius booked a provision to cover the potential adverse outcome of those active litigation proceedings for which it assesses to have a less strong case.

5. Investigations into Panama Papers

These paragraphs are mentioned for completeness only, although the matters below do not comprise a litigation. On 5 December 2017, a police search under the lead of an examining magistrate of Brussels (onderzoeksrechter/juge d'instruction) took place at Belfius Bank's head office in the framework of the Belgian "Panama Papers" Parliamentary Commission. The Bank was investigated as a witness and has not been accused of any wrongdoing. The scope of the investigation is to establish whether there are any violations of anti-money laundering obligations and to investigate the link between Belfius Bank (or its predecessors), and, amongst others, Experta and Dexia Banque International Luxembourg (i.e. former entities of the Dexia group).

To date, Belfius Bank did not receive any further information since the above mentioned police search.

7.10. Management and Supervision of Belfius Bank

7.10.1. Composition of the Management Board and the Board of Directors

A. Management Board

The Management Board currently has five members who have all acquired experience in the banking and financial sector. The members of the Management Board form a college.

As of the date of this Base Prospectus, the Management Board consists of the following five members:

Name	Position	Significant other functions performed outside Belfius Bank
Marc Raisière	Chairman	none
Marianne Collin.....	Member	none
Dirk Gyselincx	Member	none
Olivier Onclin	Member	none
Johan Vankelecom.....	Member	none

In addition, the Management Board in concertation with the Board of Directors appointed three associated members. They took up their position on 1 January 2019. These are Mr. Patrick Devis, IT manager, Mrs. Camille Gillon, HR & Building Management manager and Mr. Geert Van Mol, Data & Digital manager. The associated members attend the meetings of the Management Board in an advisory capacity.

A Group Management Committee was also established from 1 January 2019. This Committee is made up of the five members of the Management Board of Belfius Bank, the chairman of the Management Board of Belfius Insurance (Mr. Dirk Vanderschrick). Each of them has the right to vote. The associated members attend the Group Management Committee but have an advisory role only. The purpose of this Committee is to deal with various strategic group files and important issues for a bankinsurer.

The above members of the Management Board have their business address at 1210 Brussels, Place Charles Rogier 11, Belgium.

The Board of Directors has delegated its management powers to the Management Board set up from among its members. Such delegation of its powers does not extend to the determination of general policy of Belfius Bank, or to any other powers that are reserved pursuant to the Companies Code or to the Banking Law to the Board of Directors.

As a result, the Management Board is responsible for the effective management of Belfius Bank, directing and coordinating the activities of the various business lines and support departments within the framework of the objectives and general policy set by the Board of Directors.

The Management Board ensures that Belfius Bank's business activities are in line with the strategy, risk management and general policy set by the Board of Directors. It passes on relevant information to the Board of Directors to enable it to take informed decisions. It formulates proposals and advices to the Board of Directors with a view to define or improve Belfius Bank's general policy and strategy.

The members of the Management Board are required to carry out their duties in complete objectivity and independence.

Under the supervision of the Board of Directors, the Management Board takes the necessary measures to ensure that Belfius Bank has a robust structure suited to Belfius Bank's organisation, including supervisory measures, with a view to guaranteeing the effective and prudent management of Belfius Bank in accordance with the Banking Law.

There are no potential conflicts of interest between any duties to Belfius Bank of the members of the Management Board and their private interests and other duties.

B. Board of directors

Belfius Bank is managed by its Board of Directors, which is entitled to take any action the right to which is not expressly reserved to the Shareholders Meeting of Belfius Bank by law or the articles of association of Belfius Bank. In accordance with the Banking Law, the Board of Directors has delegated to the Management Board of Belfius Bank all such powers to the maximum extent permitted under Belgian law.

Pursuant to the articles of association of Belfius Bank, the Board of Directors of Belfius Bank is composed of a minimum of 5 members appointed for maximum terms of four years. The table below sets forth the names of the Directors, their position within Belfius Bank and the other significant functions they perform outside Belfius Bank.

The business address for the members of the Board of Directors is 1210 Brussels, Place Charles Rogier 11, Belgium.

Composition as at the date of the Base Prospectus

As at the date of this Base Prospectus, the Board of Directors consists of fifteen members, five of whom sit on the Management Board.

The Board of Directors, which is made up of professionals from a variety of industries, including the financial sector, has the expertise and experience required associated with Belfius Bank's various operating businesses.

Name	Position	Significant other functions performed outside Belfius Bank
Jozef Clijsters.....	Chairman of the Board of Directors of Belfius Bank	none
Marc Raisière	Chairman of the Management Board of Belfius Bank Responsible for IT, Digital & Data, Human Resources Management, Communication, Audit, Corporate Office & Secretary General	none
Marianne Collin.....	Member of the Management Board of Belfius Bank Chief Risk Officer Responsible for Risk Management and Compliance	none
Dirk Gyselinck	Member of the Management Board of Belfius Bank Responsible for Public & Corporate Banking, Financial Markets, Wealth Management, Customer Loan Services	none
Olivier Onclin	Member of the Management Board of Belfius Bank Responsible for Retail & Commercial Banking, Customer Transaction Services	none

Name	Position	Significant other functions performed outside Belfius Bank
Johan Vankelecom.....	Member of the Management Board of Belfius Bank Chief Financial Officer Responsible for Accounting, Strategic Planning & Performance Management, Socio-Economic Research, Strategic Corporate Development, Asset and Liability Management, Legal and Tax	none
Paul Bodart.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Professor in Financial Markets at the Solvay Business School
Jean-Pierre Delwart.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Chairman of the Board of Directors of Solvac
Carine Doutrelepon.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Lawyer and Part-Time Professor at the Université Libre de Bruxelles (ULB)
Martine De Rouck.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Director of Orange Belgium SA
Georges Hübner	Member of the Board of Directors of Belfius Bank (Independent Director)	Full Professor at HEC Liège and the Liège University and Associated Professor at the University of Maastricht, School of Business and Economics, Limburg Institute of Financial Economics
Diane Rosen.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Director of Exochange SPRL
Chris Sunt.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Lawyer
Lutgart Van Den Berghe.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Part-Time Professor at the Vlerick Business School

Name	Position	Significant other functions performed outside Belfius Bank
Rudi Vander Vennet.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Full Professor in Financial Economics and Banking at the University of Ghent (UG) and Lecturer Banking and Insurance at Solvay Business School (ULB)

There are no potential conflicts of interest between any duties to Belfius Bank of the members of the Board of Directors and their private interests and other duties.

7.10.2. Advisory committees set up by the Board of Directors

The Board of Directors of Belfius Bank has established various advisory committees to assist in its task, i.e., a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee. These committees are exclusively composed of Non-Executive Directors. At least one member of each advisory committee (and the majority of the members for the Audit Committee) is independent within the meaning of Article 526ter of the Companies Code. The members of these advisory committees sit at a maximum on three of these committees. A Mediation Committee has also been established within the Belfius group.

There are no potential conflicts of interest between any duties to Belfius Bank of the members of any of the following advisory committees and their private interests and other duties.

A. Nomination committee

The Nomination Committee consists of at least three members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors and a majority of them being independent directors (within the meaning of Article 526ter of the Belgian Company Code). The chairman of the Board of Directors is a member of the Nomination Committee.

As of the date of the Base Prospectus, the Nomination Committee of Belfius Bank has the following membership:

Name	Position
Lutgart Van Den Berghe.....	Chairman – Director of Belfius Bank
Jozef Clijsters.....	Member – Chairman of the Board of Directors of Belfius Bank
Carine Doutrelepon.....	Member – Director of Belfius Bank
Johan Tack	Director of Belfius Insurance, invited as representative of Belfius Insurance

The members of the Nomination Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent judgment on the composition and operation of Belfius Bank's management bodies, in particular on the individual and collective skills of their members and their integrity, reputation, independence of spirit and availability.

The Nomination Committee:

- identifies and recommends, for approval of the Shareholders Meeting or of the Board of Directors as the case may be, candidates suited to fill vacancies on the Board of Directors, evaluates the balance of

knowledge, skills, diversity and experience within the Board of Directors, prepares a description of the roles and capabilities for a particular appointment and assesses the time commitment expected; the Nomination Committee also decides on a target for the representation of the underrepresented gender within the Board of Directors and prepares a policy on how to increase the number of underrepresented gender in order to meet that target;

- periodically, and at least annually, assesses the structure, size, composition and performance of the Board of Directors and makes recommendations to it with regard to any changes;
- periodically, assesses the knowledge, skills, experience, degree of involvement and in particular the attendance of members of the Board of Directors and advisory committees, both individually and collectively, and reports to the Board of Directors accordingly;
- periodically reviews the policies of the Board of Directors for selection and appointment of members of the Management Board, and makes recommendations to the Board of Directors;
- prepares proposals for the appointment or mandate renewal as the case may be of directors, members of the Management Board, the chairman of the Board of Directors and the chairman of the Management Board;
- assesses the aptitude of a director or a candidate director to meet the criteria set forth for being considered as an independent director;
- examines questions relating to problems with the succession of directors and members of the Management Board;
- establishes a general and specific profile for directors and members of the Management Board;
- ensures the application of provisions with regard to corporate governance;
- prepares proposals for amendments to the internal rules of the Board of Directors and the Management Board;
- assesses the governance memorandum and if necessary proposes amendments; and
- at least annually discusses and analyses the quantitative statement and qualitative analysis of communications regarding stress, burn-out and inappropriate behaviour at work and actions to be taken to remedy situations.

In performing its duties, the Nomination Committee ensures that decision-taking within the Board of Directors is not dominated by one person or a small group of persons, in a way which might be prejudicial to the interests of Belfius Bank as whole.

The Nomination Committee may use any type of resources that it considers to be appropriate to the performance of its task, including external advice, and receives appropriate funding to that end.

The Nomination Committee acts for Belfius Bank, Belfius Insurance, Corona and Belfius Investment Partners.

B. Remuneration committee

The Remuneration Committee consists of at least three members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors and a majority of them being independent directors (within the meaning of Article 526ter of the Belgian Company Code). The chairman of the Board of Directors is a member of the Remuneration Committee.

As of the date of this Base Prospectus, the Remuneration Committee of Belfius Bank has the following membership:

Name	Position
Lutgart Van Den Berghe.....	Chairman – Director of Belfius Bank
Jozef Clijsters.....	Member – Chairman of the Board of Directors of Belfius Bank
Carine Doutrelepont.....	Member – Director of Belfius Bank
Johan Tack	Director of Belfius Insurance, invited as representative of Belfius Insurance

The members of the Remuneration Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent judgment on remuneration policies and practices and on the incentives created for managing risks, capital and liquidity of Belfius Bank.

In order to perform its tasks correctly, the Remuneration Committee interacts regularly with the Risk Committee and the Audit Committee.

The Risk Committee ensures that the Belfius group’s risk management, capital requirements and liquidity position, as well as the probability and the spread in time of profit are correctly taken into consideration in decisions relating to remuneration policy.

The Audit Committee contributes to the establishment of objectives for the independent control function of the Auditor General and for the Compliance Officer.

The audit department provides an independent regular analysis of the remuneration policy and its implementation.

The Remuneration Committee prepares the decisions of the Board of Directors by inter alia:

- Developing the remuneration policy, as well as making practical remuneration proposals for the chairman, the non-executive members of the Board of Directors and the members of the advisory committees under the Board of Directors. The Board of Directors submits these remuneration proposals to the Shareholders Meeting for approval.
- Developing the remuneration policy as well as making practical proposals for the remuneration of the chairman of the Management Board and, on his proposal, for the remuneration of the members of the Management Board. The Board of Directors then determines the remuneration of the chairman and the members of the Management Board.
- Providing advice on the proposals made by the chairman of the Management Board of Belfius Bank in relation to the severance remuneration for members of the Belfius Bank Management Board. On the proposal of the remuneration committee, the Board of Directors of Belfius Bank determines the severance remuneration of the chairman and members of the Belfius Bank Management Board.
- Advising the Board of Directors in relation to the remuneration policy for employees whose activity has a material impact on the risk profile of the Belfius group (known as “Identified Staff”) and in relation to the compliance of the allocation of remuneration to Identified Staff with regard to the remuneration policy put in place for such people.
- Preparing the remuneration report approved by the Board of Directors and published in the annual report.
- Periodically checking to ensure that the remuneration programmes are achieving their objective and are in line with applicable conditions.
- Annually assessing the performance and objectives of the members of the Management Board.

- Providing an opinion of the elaboration of a global “Risk Gateway” in consultation with the Risk Committee, containing various levers applied at various points in the performance management cycle with an impact on determination of the variable remuneration.

The Remuneration Committee exercises direct supervision over the determination of objectives and remuneration of the individuals responsible for the independent control functions (Chief Risk Officer, General Auditor & the Compliance Officer).

The Remuneration Committee acts for both Belfius Bank, Belfius Insurance, Corona and Belfius Investment Partners.

C. Audit committee

The Audit Committee consists of at least three members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors (within the meaning of Article 526ter of the Belgian Company Code) and a majority of them must be independent directors.

As at the date of this Base Prospectus, the Audit Committee of Belfius Bank has the following membership:

Name	Position
Georges Hübner	Chairman Director of Belfius Bank
Paul Bodart.....	Member Director of Belfius Bank
Chris Sunt.....	Member Director of Belfius Bank

The majority of the members of the Audit Committee are independent within the meaning of Article 526ter of the Companies Code. The chairman of the Audit Committee is appointed by its members. Members of the Audit Committee have collective expertise in the field of banking as well as in accounting and audit and at least one member of the audit committee is an expert in the field of accounting and/or audit.

The Audit Committee assists the Board of Directors in its task of carrying out prudential controls and exercising general supervision. The Audit Committee of Belfius Bank operates independently of the Audit Committee implemented at Belfius Insurance. However, the respective Audit Committees of Belfius Bank and Belfius Insurance meet jointly at least once a year. Additional joint meetings may be held at the request of the Chairman of the Audit Committee of Belfius Bank.

D. Risk Committee

The Risk Committee consists of at least three members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors (within the meaning of Article 526ter of the Belgian Company Code) and a majority of them being an independent director.

As at the date of this Base Prospectus, the Risk Committee has the following membership:

Name	Position
Rudi Vander Vennet.....	Chairman Director of Belfius Bank
Georges Hübner	Member Director of Belfius Bank

Diane Rosen	Member Director of Belfius Bank
Chris Sunt.....	Member Director of Belfius Bank

The members of the Risk Committee have the individual expertise and professional experience required to define the strategy regarding risk and the level of risk appetite of Belfius Bank.

The Risk Committee has advisory powers and responsibilities with regard to the Board of Directors in the following areas:

- appetite and strategy regarding Belfius Bank’s current and future risks, more particularly the effectiveness of the risk management function and the governance structure to support them;
- monitoring implementation of risk appetite and strategy by the Management Board;
- allocating the risk appetite to various categories of risks and defining the extent and limits of risk in order to manage and restrict major risks;
- considering the risks run by Belfius Bank with its customer tariffs.
- assessing activities which expose Belfius Bank to real risks;
- supervising requirements in terms of capital and liquidity, the capital base and Belfius Bank’s liquidity situation;
- the guarantee that risks are proportional to Belfius Bank’s capital;
- formulating an opinion with regard to major transactions and new proposals for strategy activities that have a significant impact on Belfius Bank’s risk appetite;
- obtaining information and analysing management reports as to the extent and nature of the risks facing Belfius Bank; and
- monitoring the Internal Capital Adequacy Assessment Process (ICAAP) and the Recovery Plan.

The Risk Committee of Belfius Bank operates independently of the Risk and Underwriting Committee of Belfius Insurance. On the request of the Chairman of Belfius Bank’s committee, a joint Risk Committee of Belfius Bank and Belfius Insurance may be held. To promote sound remuneration policy and practices, subject to the tasks of the Nomination Committee and the Remuneration Committee, the Risk Committee examines whether incentives in the remuneration system take proper account of the institution’s risk management, equity requirements and liquidity position, as well as the probability and distribution of profit over time.

The Risk Committee and the Audit Committee periodically exchange information, in particular concerning the quarterly risk report, the senior management report on the assessment of internal control and the risk analyses performed by the Legal, Compliance and Audit Departments. The aim of this exchange of information is to enable the two committees to perform their tasks properly and to take the form of a joint meeting.

E. Mediation Committee

A Mediation Committee has been established within the Belfius group.

As at the date of this Base Prospectus, the Mediation Committee has the following membership:

Chairman	Jozef Clijsters Chairman of the Board of Directors of Belfius Bank and Belfius Insurance
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Members	Jean-Pierre Delwart Independent Director Belfius Bank Johan Tack Independent Director Belfius Insurance
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The Mediation Committee is responsible for passing opinions relating to material transactions or operations between, on the one hand, Belfius Bank and its subsidiaries and, on the other hand, Belfius Insurance and its subsidiaries, or between their respective subsidiaries. Such opinions are sent to the Board of Directors of the companies concerned, which will then take a definitive decision on the planned transaction or operation.

7.11. Selected Financial Information

The following tables summarise the consolidated balance sheet and, income statement of Belfius Bank for the period ending 31 December 2017 and 31 December 2018.

1. Consolidated Balance Sheet

	Notes	1 January 2018 ³² IFRS 9	31 December 2018 IFRS 9
Assets		<i>(in thousands of EUR)</i>	
Cash and balances with central banks	5.2	10,236,669	8,314,303
Loans and advances due from credit institutions	5.3	13,801,882	13,106,846
Measured at amortised cost		13,801,882	13,106,846
Measured at fair value through other comprehensive income		0	0
Measured at fair value through profit or loss		0	0
Loans and advances	5.4	85,406,374	91,122,512
Measured at amortised cost		83,060,191	89,302,446
Measured at fair value through other comprehensive income		0	0
Measured at fair value through profit or loss		2,346,183	1,820,067
Debt securities & equity instruments	5.5	30,776,327	28,568,766
Measured at amortised cost		21,143,773	21,610,561
Measured at fair value through other comprehensive income		6,962,747	5,216,152
Measured at fair value through profit or loss		2,669,808	1,742,052
Unit linked products insurance activities		2,597,572	2,837,971
Derivatives	5.6	16,414,511	12,767,585

³² For comparability purposes, Belfius presents the balance sheet at Date of Initial Application (DIA) on 1/1/18 with the balance sheet end December 2018.

	Notes	1 January 2018 ³² IFRS 9	31 December 2018 IFRS 9
<i>(in thousands of EUR)</i>			
Assets			
Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.6	5,046,357	4,590,806
Investments in equity method companies	5.7	31,481	47,949
Tangible fixed assets	5.8	1,059,212	1,065,607
Intangible assets	5.9	162,074	191,497
Goodwill	5.10	103,966	103,966
Tax assets	5.11	337,298	378,192
Current tax assets		20,343	77,683
Deferred tax assets		316,955	300,508
Technical insurance provisions - part of the reinsurer		276,930	99,902
Other assets	5.12	947,299	950,202
Non current assets (disposal group) held for sale and discontinued operations	5.13	18,782	19,047
Total assets		167,216,734	164,165,152
<i>(in thousands of EUR)</i>			
Liabilities			
Cash and balances from central banks	6.1	3,978,544	3,962,322
Credit institutions borrowings and deposits	6.2	7,131,349	5,866,810
Measured at amortised cost		7,131,349	5,866,810
Measured at fair value through profit or loss		0	0
Borrowings and deposits	6.3	76,328,151	79,661,310
Measured at amortised cost		76,274,483	79,609,747
Measured at fair value through profit or loss		53,669	51,563
Debt securities issued and other financial liabilities	6.4	28,268,533	26,686,872
Measured at amortised cost		22,027,063	19,274,694
Measured at fair value through profit or loss		6,241,470	7,412,178
Unit linked products insurance activities		2,597,572	2,837,971

³³ For comparability purposes, Belfius presents the balance sheet at Date of Initial Application (DIA) on 1/1/18 with the balance sheet end December 2018.

	Notes	1 January 2018 ³³ IFRS 9	31 December 2018 IFRS 9
Derivatives	5.6	21,195,874	17,740,280
Gain/loss on the hedged item in portfolio hedge of interest rate risk	5.6	105,017	165,078
Provisions for insurance activities	6.5	14,583,630	13,907,770
Provisions and contingent liabilities	6.6	538,164	626,752
Subordinated debts	6.7	1,198,968	1,219,469
Measured at amortised cost		1,198,968	1,219,469
Measured at fair value through profit or loss		0	0
Tax liabilities	5.11	84,521	30,825
Current tax liabilities		51,351	22,301
Deferred tax liabilities		33,170	8,524
Other liabilities	6.8	1,761,932	1,500,070
Liabilities included in disposal group and discontinued operations		0	0
Total liabilities		157,772,256	154,205,529

	Notes	1 January 2018 ³⁴ IFRS 9	31 December 2018 IFRS 9
Equity		<i>(in thousands of EUR)</i>	
Subscribed capital		3,458,066	3,458,066
Additional paid-in capital		209,232	209,232
Treasury shares		0	0
Reserves and retained earnings		5,120,363	4,738,565
Net income for the period		0	649,028
Shareholders' core equity		8,787,661	9,054,891
Fair value changes of debt instruments measured at fair value through other comprehensive income		375,113	218,588
Fair value changes of equity instruments measured at fair value through other comprehensive income		187,222	75,031
Fair value changes due to own credit risk on financial liabilities designated as at fair value through profit or		0	0

³⁴ For comparability purposes, Belfius presents the balance sheet at Date of Initial Application (DIA) on 1/1/18 with the balance sheet end December 2018.

	Notes	1 January 2018 ³⁴ IFRS 9	31 December 2018 IFRS 9
Equity		<i>(in thousands of EUR)</i>	
loss to be presented in other comprehensive income			
Fair value changes of derivatives following cash flow hedging		-18,901	13,679
Remeasurement pension plans		112,998	42,170
Discretionary participation features of insurance contracts	6.5	0	41,850
Other reserves		215	212
Gains and losses not recognised in the statement of income		656,646	391,530
Total shareholders' equity		9,444,308	9,446,422
Additional Tier-1 instruments included in equity		0	497,083
Non-controlling interests		171	16,118
Total Equity		9,444,478	9,959,623
Total Liabilities and Equity		167,216,734	164,165,152

2. Consolidated Statement of Income

	Notes	31 December 2017 IAS 39	31 December 2018 IFRS 9
		<i>(in thousands of EUR)</i>	
Interest income	7.1	3,561,100	3,399,369
Interest expense	7.1	(1,609,627)	(1,527,831)
Dividend income	7.2	73,083	70,981
Net income from equity method companies	7.3	4,195	1,745
Net income from financial instruments at fair value through profit or loss	7.4	46,143	(10,644)
Net income on investments and liabilities	7.5	173,958	121,704
Fee and commission income	7.6	721,472	734,366
Fee and commission expenses	7.6	(168,809)	(178,710)
Technical result from insurance activities	7.7	(208,814)	(53,890)
Gross earned premiums		1,451,024	1,488,048
Other technical income and charges		(1,659,838)	(1,541,939)
Other income	7.8	141,895	193,666

	Notes	31 December 2017 IAS 39	31 December 2018 IFRS 9
		<i>(in thousands of EUR)</i>	
Other expense	7.9	(379,913)	(389,568)
Income		2,354,682	2,361,189
Staff expense	7.10	(562,324)	(614,740)
General and administrative expenses	7.11	(479,313)	(496,938)
Network costs		(243,300)	(219,110)
Depreciation and amortisation of fixed assets	7.12	(83,672)	(95,004)
Expenses		(1,368,608)	(1,425,792)
Gross income		986,074	935,397
Impairments on financial instruments and provisions for credit commitments	7.13	(33,013)	(66,397)
Impairments on tangible and intangible assets	7.14	9,467	(2,124)
Impairments on goodwill	7.15	0	0
Net income before tax		962,528	866,876
Current tax (expense) income	7.16	(191,258)	(145,506)
Deferred tax (expense) income	7.16	(165,749)	(71,381)
Total Tax (expense) income		(357,007)	(216,886)
Net income after tax		605,522	649,989
Discontinued operations (net of tax)		0	0
Net income		605,522	649,989
Attributable to non-controlling interests		20	962
Attributable to equity holders of the parent		605,502	649,028

8. TERMS AND CONDITIONS OF THE NOTES

(Annex 14.4 of Commission delegated regulation (EU) 2019/980)

The following is the text of the terms and conditions (the “**Terms and Conditions**”, each chapter or subchapter individually referred to as “**Condition**”) of the Notes, subject to completion and amendment and as supplemented or varied in accordance with the relevant provisions of the Final Terms. In the event of any inconsistency between the provisions of the Final Terms and the other provisions of this Programme, the Final Terms will prevail. All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in the relevant Final Terms.

References in the Terms and Conditions to the Notes are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

Bearer Notes are issued under an agency agreement dated the date of this Base Prospectus (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”), referred to as the “**Agency Agreement**”, see Annex 4), between Belfius Financing Company as Issuer, Belfius Bank and Banque Internationale à Luxembourg, when relevant.

The Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche will be identical to the terms of other Tranche of the same Series) will be set out in the Final Terms.

To the extent applicable, the Issuer and the Calculation Agent undertake to comply with Book VI of the Belgian Code of Economic Law in respect of Notes issued under the Programme and placed in the framework of a public offer in Belgium. For this purpose, a public offer has the meaning set forth in Article 2 of the Prospectus Regulation.

In accordance with Articles VI.82 to VI.84 of the Belgian Code of Economic Law, the Issuer or the Calculation Agent may only make a unilateral modification of a product if those four cumulative conditions are met:

- (i) it is limited to events of force majeure or other events which significantly modify the economy of the contract and for which the Issuer is not responsible (see the events listed under “Potential Adjustment Events” and “Extraordinary Events”);
- (ii) the modification itself is not significant, so that it does not create an imbalance between the rights and obligations of the parties, to the detriment of the Noteholders. The Issuer must take all measures and make every effort to continue the product under similar circumstances;
- (iii) no costs are charged to the Noteholder; and
- (iv) the contract term must be drawn up in a plain and intelligible manner.

Furthermore, the redemption features provided by section 8.5.3. (“Redemption at the option of the Issuer”) of the Prospectus, which will be further specified in the Final Terms of each Series, are deemed to be the principal object of the contract within the meaning of Article VI.82 of the Belgian Code of Economic Law. The other early redemption features of the Notes provided by this Section 8 (as described under sections 8.7.2.3. *Potential Adjustment Events*, 8.7.2.4. *Extraordinary Events*, 8.7.3.1. *Terms applicable irrespective of whether an Index is*

Multiple Exchange or not, 8.7.4.2. *Potential Adjustment Events*, 8.7.4.3. *Extraordinary Events*, 8.7.5.2. *Market Disruption*, 8.7.6.2. *Commodity Index Event*, and 8.7.7.2. *Events affecting the Index*) are only possible (i) as a consequence of events of force majeure or other events which significantly modify the economy of the Note and for which the Issuer is not responsible (the repayment will then, (a) in the case of force majeure or in the case of Notes without capital protection, be at least at market value without charging additional costs to the consumer or (b) in the case of capital protected Note, Monetization (as defined below) or buy back at market value) (ii), except in the case of force majeure, the Issuer is required to indemnify the Noteholder for the loss suffered by the Noteholder because of the early redemption; (iii) no costs are charged to the noteholder and (iv) no deduction of any costs whatsoever is allowed and a pro rata refund of the costs already borne by the investor (in the proportion (total initial term minus elapsed period)/total initial term), must be provided for. The Terms and Conditions allow for the substitution of the Issuer provided that the conditions listed in section 8.16 are met.

Besides these early redemption features, the following sections relate to situations in which certain features of the Notes may be modified: 8.7.2.3. *Potential Adjustment Events*, 8.7.2.4. *Extraordinary Events*, 8.7.3.1. *Terms applicable irrespective of whether an Index is Multiple Exchange or not*, 8.7.3.2. *Terms applicable to an Index that is not Multiple Exchange*, 8.7.4.2. *Potential Adjustment Events*, 8.7.4.3. *Extraordinary Events*, 8.7.5.2. *Market Disruption*, 8.7.6.2. *Commodity Index Event*, and 8.7.7.2. *Events affecting the Index*.

In the case of a Note without capital protection, the Issuer shall pay in accordance with the indemnification-principle laid down in Article VI.83. 10° CEL, at least the Fair Market Value of the Note. “**Fair Market Value**” means the valuation using (i) the most relevant available market data or market quotation, or, (ii) if no such relevant data or quotation may be found at the relevant time, a valuation mathematical model generally accepted in the financial sector.

In the case of a capital protected Note, the Issuer opts for the monetization of the relevant Notes. “**Monetization**” means that the underlying financial structure (derivative component) of a capital protected Note will be unwound at its market value and added to the bond component. The Fair Market Value of the Note, consisting of the Fair Market Value of both the bond and the derivative component, will be capitalized at least up to the protected level (Fair Market Value means the valuation using (i) the most relevant available market data or market quotation, or, (ii) if no such relevant data or quotation may be found at the relevant time, a valuation mathematical model generally accepted in the financial sector). In case of such Monetization of the Note, the Noteholders will always have the right, as an alternative to the Monetization, to sell the Note to the Issuer or to an agent appointed by the Issuer at market value. In any case of early redemption (for capital protected Notes as well as for Notes without capital protection), but not in the case of Monetization, no deduction of any costs will be applied and the costs already borne by the Noteholders will be refunded pro rata temporis to the Noteholders.

8.1. Form, Denomination and Title

The Denomination of the Notes will be at least EUR 1,000. Certain Belfius Financing Company Notes are issued in bearer form (“**Bearer Notes**”)³⁵ in the Denominations specified in the relevant Final Terms. These Belfius Financing Company Notes will be represented by a Permanent Global Note, deposited with Banque Internationale à Luxembourg (“**BIL**”) as common depositary for Euroclear and Clearstream Luxembourg and will not be exchangeable for definitive notes.

The Belfius Bank Notes and certain Belfius Financing Company Notes are issued in dematerialised form (“**Dematerialised Notes**”) in the Denomination(s) specified in the relevant Final Terms.

Dematerialised Notes are issued in dematerialised form via a book-entry system maintained in the records of the National Bank of Belgium (“**BNB**”) (having as its address, de Berlaimontlaan 14, 1000 Brussels, Belgium) as operator of the BNB System in accordance with Article 468 and following of the Belgian Code of Companies and will be credited to the accounts held with the BNB System by Belfius Bank, Euroclear Bank SA/NV

³⁵ Belfius Financing Company Notes may be issued in Bearer form or in Dematerialized form

(“Euroclear”), Clearstream Banking SA (“Clearstream, Luxembourg”) or other BNB System participants for credit by Belfius Bank, Euroclear, Clearstream, Luxembourg or other BNB System participants to the securities accounts of their subscribers.

Transfer of Dematerialised Notes will be effected only through records maintained by the BNB System, Belfius Bank, Euroclear and Clearstream, Luxembourg or other BNB System participants and in accordance with the applicable procedures of the BNB System, Euroclear and Clearstream, Luxembourg or other BNB System participants.

The Notes will not be physically delivered. They will be held in a securities account.

Title to the Belfius Financing Company Notes that are not issued in dematerialised form shall pass by transfer to or from the securities account. In these Terms and Conditions, the “Noteholder” means the person who has the Notes on his or her securities account.

8.2. Pay Offs

Introduction

The pay-offs allowed in the Note Issuance Program can be divided into 6 main categories in function of the calculation and payment of Interest (periodic or not), the calculation methodology of the amount paid at redemption of the Notes (the “Redemption Amount”) (one calculation and payment at maturity, or a sum of periodic calculation paid at maturity) and the settlement of the Redemption Amount (cash or physical). These categories are:

- A. Structures with a periodic payment;
- B. Structures with one payment at maturity with cap;
- C. Structures with one payment at maturity without cap;
- D. Structures with a sum of periodic calculations and payment at maturity;
- E. Structures with a periodic payment and physical settlement; and
- F. Structures with an amortizing redemption.

The formulas proposed below try to be general formulas meant to be used for a lot of different types of products. In accordance with the Prospectus Regulation, the Issuer can decide not to use some components of the formula by setting these components on 0 or 1 or not applicable. The Final Terms will specify which formula(s) will be used for a specific product issued and which specific parameters go into the formula. If a component of the formula is 0 or 1 or not applicable, and the respective component is not used for a specific issue of Notes, it is possible to render the formula in the Final Terms without the unapplied component(s).

A. Structures with a periodic payment

The first category includes the products generating a periodic payment of Interest (fixed or variable) (the “Periodic Payment”) and a Redemption Amount which can be equal or not to 100% of the capital invested less fees.

Definition

The Periodic Payments can be calculated applying the next formula(s) [for n periods]:

$$\text{Formula } i = (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)$$

The Redemption Amount at Maturity (period n) can be calculated applying the next formula:

$$\text{Formulal } i = \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)]$$

The Final Terms will specify the parameters (Participation Rate, X%, Y%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify:

- 1) How many periods (n) will be used and what formula relates to what period.
- 2) Which underlying (the “**Underlying**”) will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds) (as defined in the Final Terms).
- 3) Which sub formula will apply to calculate the Performance. This Performance can be:
 - a) a single fixing
 - b) a difference between 2 Underlyings : $\text{Underlying}_1 - \text{Underlying}_2$
 - c) $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$, with or without reset of the Initial Price
 - d) $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$, with or without reset of the Initial Price
 - e) $\frac{\text{Final Price} - \text{Initial Price}}{\text{Final Price}}$, with or without reset of Initial Price
 - f) $\frac{\text{Initial Price} - \text{Final Price}}{\text{Final Price}}$, with or without reset of Initial Price
 - g) $\frac{\text{Final Price}}{\text{Initial Price}}$
 - h) $\sum_{j=1}^y w_{i,j} \times \max\left(U\%, \min\left(\left(\frac{\text{FinalPrice}_j - \text{InitialPrice}_j}{\text{InitialPrice}_j}\right), Z\%\right)\right)$, with or without reset of the Initial Price. W means the weight of the Underlying. Y can be the number of Underlyings, or can be the number of periods.

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 4) If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
- 5) If the value of some parameters depends on the level of the Underlying at a certain date or during a certain period (=condition).
- 6) How the Bonus_i is defined. The Bonus_i can be
 - a. a fixed rate
 - b. a fixed rate subject to a condition on the Underlying
 - c. a rate which is the result of a formula such as the formulas above.
 - d. A rate which is the result of a sum of formulas such as the formulas above.
- 7) What the Participation Rate will be.
- 8) What the floor X% will be.
- 9) What the cap Y% will be.
- 10) What daycount convention has to be applied.

Examples

1. Collared Floater (5 years, payment every 3 months)

Definition:

In a Collared Floater, the Noteholder receives periodically a variable interest rate (linked to an Underlying). This rate is capped at a certain percentage (Y%) and floored at another level (X%). The Noteholder receives 100% of his invested capital at Maturity.

Product:

Periodic payments :

1. Periods: 20
2. Underlying: EURIBOR3months
3. Performance will be a single fixing (subformula 3.a) is applicable). Fixing in advance (2 Business Days before start of the Interest Period)
4. Not applicable
5. Not applicable
6. Bonus = 0%
7. Participation Rate = 100%
8. X% = 2.20% (annualized)
9. Y% = 5.00% (annualized)
10. Daycount: act/360, mod fol, adjusted

The formula for the Periodic Payments will be

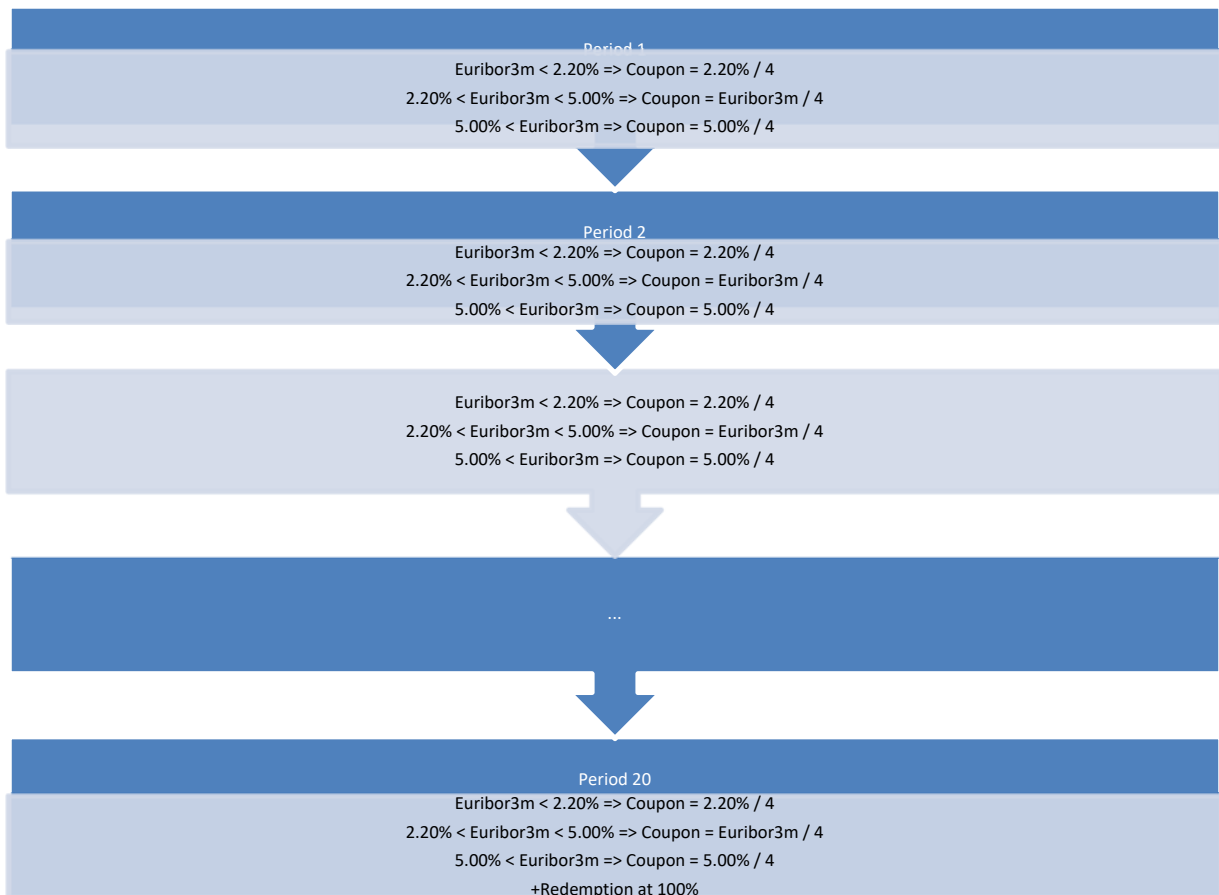
$$\begin{aligned} & (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i) \\ & = (100\% \times \max(2.20\%, \min(\text{Performance}, 5.00\%)) + 0\%) \end{aligned}$$

Redemption Amount :

1. Not Applicable
2. Underlying: EURIBOR3months
3. Single fixing 2 Business Days before start of the Interest Period (subformula 3.a) is applicable).
4. Not applicable
5. Not applicable
6. Bonus = 0%
7. Participation Rate = 0%
8. X% = 0%
9. Y% = 0%
10. No Daycount

The formula for the Redemption Amount will be

$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ & = \text{Denomination} + [\text{Denomination} \times (0\% \times \max(0\%, \min(\text{Performance}_i, 0\%)) + 0\%)] \\ & = \text{Denomination} \end{aligned}$$



Note: In the example above the amounts are divided by 4, but the day count convention is act/360. This division is done for simplification purposes.

2. Target Memory Autocall

Definition:

In a Target Memory Autocall, there is no right to receive 100% of the invested capital less fees at Maturity.

-> If, on an Interest Payment Date, the Underlying (typically an index) has lost more than a certain percentage of its initial value (for example -30%), no Interests are paid and the Interests (for example, 7.50%) are recorded in the Memory which starts at zero.

-> If the Underlying has not lost more than a certain percentage of its initial value (for example, -30%), the Interests and the memory are paid.

-> If the Underlying is above a predefined level (typically its initial value), the Interests and the memory are paid and the Note is redeemed at par (autocallable).

At Maturity, if the Underlying is below a third predefined level (for example, -50%), the Redemption Amount is linked to the evolution of the Underlying, which means that investors will receive less than the invested capital, less fees. Otherwise, the Note is redeemed at par

Product:

Periodic payments (i = 1 to 4) :

1. Periods: 5
2. Underlying: SX5E

3. Performance will be $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$ (Subdivision 3.c) is applicable), no reset for the Initial Price
4. Callable is applicable (Subdivision 4) is applicable) if $Performance_i \geq 0\%$
5. Condition is applicable (Subdivision 5))
6. $Bonus_i = -\sum_{w=1}^{i-1} Formula_w$ if $Performance_i \geq -30\%$
 $= 0\%$ if $Performance_i < -30\%$
7. Participation Rate = period i (i = 1 to 4) if $Performance_i \geq -30$
 $= 0\%$ if $Performance_i < -30\%$
8. X% = 7.50% if $Performance_i \geq -30\%$
 $= 0\%$ if $Performance_i < -30\%$
9. Y% = 7.50% if $Performance_i \geq -30\%$
 $= 0\%$ if $Performance_i < -30\%$
10. Daycount: 30/360, following, unadjusted

➡ If $Performance_i \geq -30\%$ and $< 0\%$

The formula for the Periodic Payments will be

$$\begin{aligned} & (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i) \\ & = (i \times \max(7.50\%, \min(Performance, 7.50\%))) - \sum_{w=1}^{i-1} Formula_w \end{aligned}$$

➡ $= (i \times (7.50\%)) - \sum_{w=1}^{i-1} Formula_w$ If $Performance_i < -30\%$,

Formula for the Periodic Payments will be

$$\begin{aligned} & (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i) \\ & = (0\% \times \max(0\%, \min(Performance, 0\%))) + 0\% = 0 \end{aligned}$$

➡ If $Performance_i \geq 0\%$, then the transaction terminates automatically (autocallable).

Formula_i for Redemption Amount will be:

$$\begin{aligned} & Denomination + [Denomination \times (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)] \\ & = Denomination + \left[Denomination \times \left(i \times \max(7.50\%_i, \min(Performance_i, 7.50\%_i)) - \sum_{w=1}^{i-1} Formula_w \right) \right] \\ & = Denomination + \left[Denomination \times \left(i \times 7.50\% - \sum_{w=1}^{i-1} Formula_w \right) \right] \end{aligned}$$

Redemption Amount:

1. Periods: 5
2. Underlying: SX5E
3. Performance will be $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$ (Subdivision 3.c) is applicable), no reset for the Initial Price
4. Call is activated if $Performance_i \geq 0\%$
5. Conditions are activated
6. $Bonus_i = -\sum_{w=1}^{i-1} Formula_w$ if $Performance_i \geq -30\%$; $= 0\%$ if $Performance_i < -30\%$

7. Participation Rate = 5 if Performance_i ≥ -30%; = 0% if Performance_i < -30% and ≥ -50%; = 100% if Performance_i < -50%

8. X% = 7.50% if Performance_i ≥ -30%; = 0% if Performance_i < -30% and ≥ -50%; = -100% if Performance_i < -50%

9. Y% = 7.50% if Performance_i ≥ -30%; = 0% if Performance_i < -30% and ≥ -50%; = 100% if Performance_i < -50%

10. Daycount: 30/360, following, unadjusted

➔ If Performance_i ≥ -30% and < 0%, then Formula_i will be:

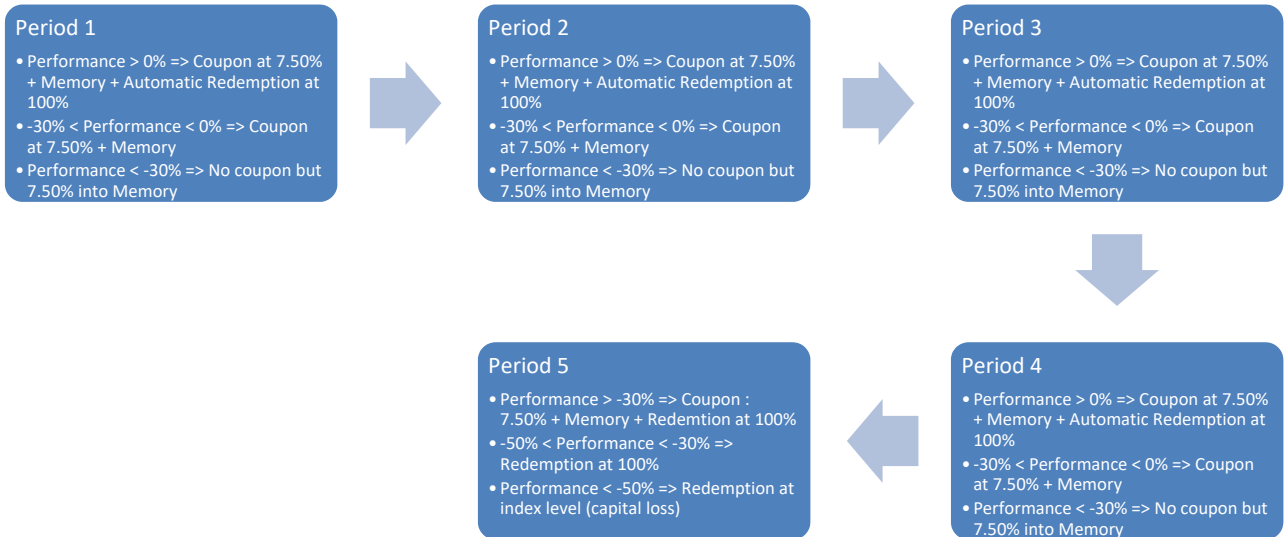
$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ &= \text{Denomination} + \text{Denomination} \times [(5 \times \max(7.50\%, \min(\text{Performance}, 7.50\%))) - \sum_{w=1}^{i-1} \text{Formula}_w] \\ &= \text{Denomination} + \left[\text{Denomination} \times \left(i \times 7.50\% - \sum_{w=1}^{i-1} \text{Formula}_w \right) \right] \end{aligned}$$

➔ If Performance_i < -30% and ≥ -50%, then Formula_i will be:

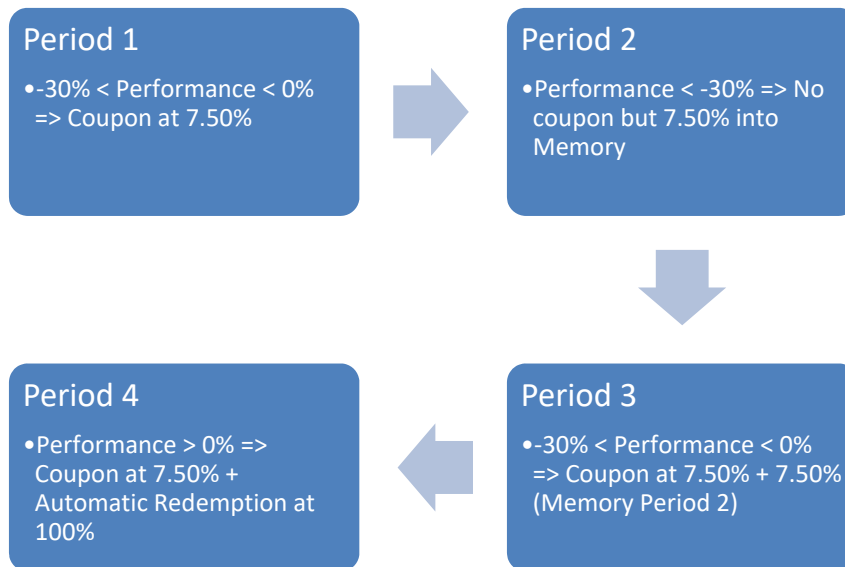
$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ &= \text{Denomination} + [\text{Denomination} \times (0\% \times \max(0\%, \min(\text{Performance}_i, 0\%)) + 0\%)] \\ &= \text{Denomination} \end{aligned}$$

➔ If Performance_i < -50%, then Formula_i will be :

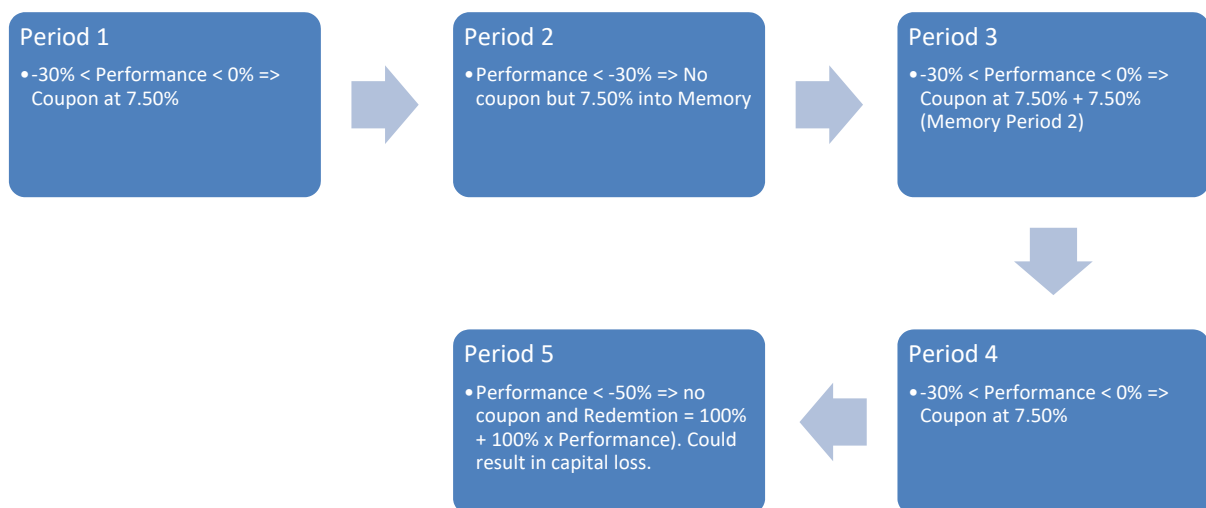
$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ &= \text{Denomination} + [\text{Denomination} \times (100\% \times \max(-100\%, \min(\text{Performance}_i, 100\%)) + 0\%)] \end{aligned}$$



Optimistic Scenario



Pessimistic Scenario



3. Light Reverse

Definition:

In a Light Reverse, one single barrier needs to be observed at Maturity. There is no right to receive 100% of the invested capital less fees at maturity

The Noteholder receives periodically (typically every year) a fixed Interest rate (for example 5.50%).

At Maturity, the Noteholder receives 100% of its investment if the Underlying (typically an Index) has not lost more than a pre-defined percentage (for example -40%) of its initial value. Otherwise the index performance is paid and there is a loss of capital.

Product:

Periodic payments:

- | |
|--|
| <ol style="list-style-type: none"> 1. Periods: 5 2. Underlying: SX5E |
|--|

3. Performance is $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$ (Subdivision 3.c) is applicable), no Reset for the Initial Price
4. Not applicable
5. Not applicable
6. Bonus = 5.50%
7. Participation Rate = 100%
8. X% = 0%
9. Y% = 0%
10. Daycount: 30/360, unadjusted, following

The formula for the Periodic Payments will be

$$\begin{aligned} & (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i) \\ & = (0\% \times \max(0\%, \min(Performance, 0\%)) + 5.50\%) = 5.50\% \end{aligned}$$

Redemption Amount :

1. Periods: Not Applicable
2. Underlying: Eurostoxx 50 (SX5E)
3. Performance is $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$ (Subdivision 3.c) is applicable), no Reset for the Initial Price
4. Not applicable
5. Digitals are activated (Subdivision 5) is applicable)
6. Bonus = 0%
7. Participation Rate = 0% if Performance \geq -40%;
100% if Performance $<$ -40%.
8. X% = 0% if Performance \geq -40%;
-100% if Performance $<$ -40%.
9. Y% = 0% if Performance \geq -40%;
100% if Performance $<$ -40%.
10. Daycount: 30/360, unadjusted, following

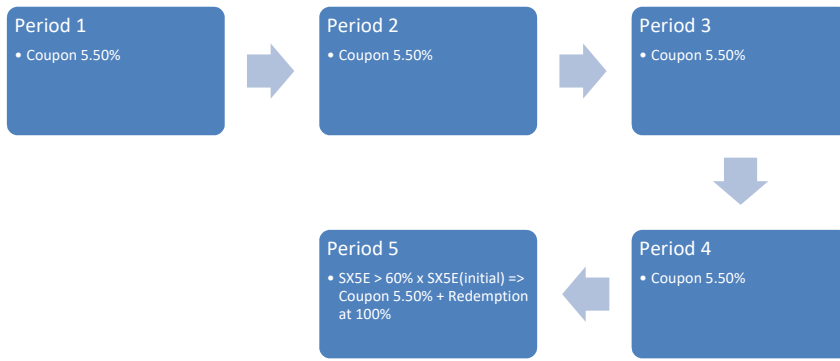
→ If Performance \geq -40%, then formula for the Redemption Amount will be

$$\begin{aligned} & Denomination + [Denomination \times (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)] \\ & = Denomination + [Denomination \times (0\% \times \max(0\%, \min(Performance_i, 0\%)) + 0\%)] \\ & = Denomination \end{aligned}$$

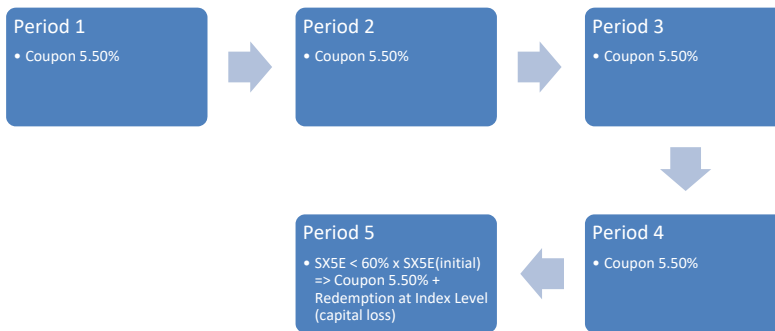
→ If Performance $<$ -40%, then formula for the Redemption Amount will be

$$\begin{aligned} & Denomination + [Denomination \times (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)] \\ & = Denomination + [Denomination \times (100\% \times \max(-100\%, \min(Performance_i, 100\%)) + 0\%)] \\ & = Denomination + [Denomination \times Performance_i] \end{aligned}$$

Optimistic Scenario



Pessimistic Scenario



B. Structures with one payment at maturity with cap

The second category includes the products which do not generate any Periodic Payments but one global payment at Maturity. This last payment can be fixed (in a so-called “zero coupon product”) or variable. The formulas as stipulated below will specify if the Note have a Redemption Amount at 100% of the capital invested less fees or not.

Definition

The Variable Linked Redemption Amount can be constituted out of the next formula(s):

$$\text{Formula } i = \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)]$$

The Final Terms will specify the parameters (Participation Rate, X%, Y%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify:

- 1) Which Underlying will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds).
- 2) Which sub formula will apply to calculate the Performance. This Performance can be:
 - a) a single fixing
 - b) a difference between 2 Underlyings : $\text{Underlying}_1 - \text{Underlying}_2$
 - c) $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$, with or without reset of the Initial Price
 - d) $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$, with or without reset of the Initial Price
 - e) $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$, with or without reset of Initial Price
 - f) $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$, with or without reset of Initial Price
 - g) $\frac{\text{Final Price}}{\text{Initial Price}}$
 - h) $\sum_{j=1}^Y w_{i,j} \times \max\left(U\%, \min\left(\left(\frac{\text{Final Price}_j - \text{Initial Price}_j}{\text{Initial Price}_j}\right), Z\%\right)\right)$, with or without reset of the Initial Price. W means the weight of the Underlying. Y can be the number of Underlyings, or can be the number of periods.

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 3) If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
- 4) If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
- 5) How the Bonus_i is defined. The Bonus_i can be:
 - a. a fixed rate
 - b. a fixed rate subject to a condition on the Underlying
 - c. a rate which is the result of a formula such as the formulas above.
 - d. a rate which is the result of a sum of Formulas such as the Formulas above.
- 6) What the Participation Rate will be.
- 7) What the floor X% will be.
- 8) What the cap Y% will be.
- 9) What daycount convention has to be applied.

Examples

1. Call spread

Definition:

In a Call spread, there is no Periodic Payment. At Maturity, the Redemption Amount will be equal to 100% of the capital invested less fees plus any positive evolution of the Underlying capped at a defined level.

Product:

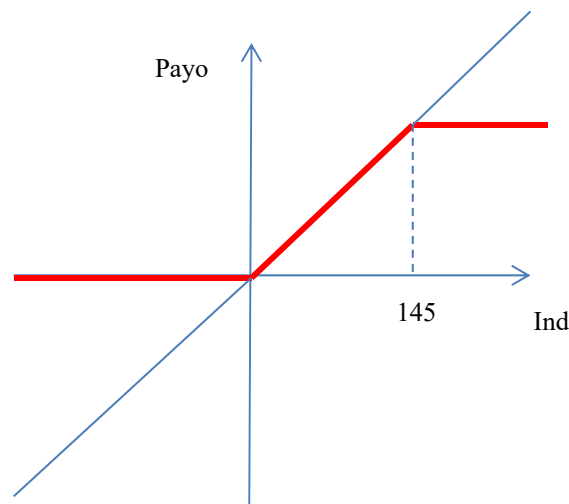
Redemption Amount :

1. Underlying : Eurostoxx 50 (SX5E)
2. Performance is $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$ (Subdivision 2.c) is applicable) where Initial Price is closing level of Index observed at 24/09/2012 and Final Price is arithmetic average of the closing levels observed at 10/09/2017, 11/09/2017 and 12/09/2017.
3. Not applicable
4. Not applicable
5. Bonus = 0%
6. Participation Rate = 100%
7. X% = 0%
8. Y% = 45%
9. No daycount

The formula for the Redemption Amount will be

$$Denomination + [Denomination \times (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)]$$

$$Denomination + [Denomination \times (100\% \times \max(0\%, \min(Performance, 45\%)) + 0\%)] =$$



Optimistic Scenario

$$Performance = 30\% \Rightarrow Denomination + [Denomination \times (100\% \times \max(0\%, \min(30\%, 45\%)) + 0\%)] = 130\%$$

Pessimistic Scenario

$$Performance = -30\% \Rightarrow Denomination + [Denomination \times (100\% \times \max(0\%, \min(-30\%, 45\%)) + 0\%)] = 100\%$$

2. Digital on CMS

Definition:

The Digital on CMS product is the combination of a typical Zero Coupon bond (with a predefined interest payment at maturity) and a potential additional payment (the digital feature) if the Underlying (in this case the CMS rate) is above a certain level at maturity.

Product:

Redemption Amount :

1. Underlying : CMS10y
2. Performance is a single fixing ((Subdivision 2.a) is applicable)
3. Not applicable
4. Condition is applicable ((Subdivision 4) is applicable) -> at observation date, if CMS10y is at or above 2.10%
5. Bonus = 25.20 %
6. Participation Rate = 0% if CMS10y < 2.10%
100% if CMS10y ≥ 2.10%
7. X% = 0% if CMS10y < 2.10%
10.40 % if CMS10y ≥ 2.10%
8. Y% = 0% if CMS10y < 2.10%
10.40 % if CMS10y ≥ 2.10%
9. No daycount

➔ If CMS10y < 2.10%, then

Formula for the Redemption Amount will be

$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ & \text{Denomination} + [\text{Denomination} \times (0\% \times \max(0\%, \min(\text{Performance}_i, 0\%)) + 25.20\%)] \\ & = \text{Denomination} + [\text{Denomination} \times (25.20\%)] \end{aligned}$$

➔ If CMS10y ≥ 2.10%, then

Formula for the Redemption Amount will be

$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ & \text{Denomination} + [\text{Denomination} \times (100\% \times \max(10.40\%, \min(10.40\%)) + 25.20\%)] \\ & = \text{Denomination} + [\text{Denomination} \times (10.40\% + 25.20\%)] \end{aligned}$$

Period 1

- CMS10y < 2.10% =>
Redemption Price = 100% + 25.20% + 0%
- CMS10y > 2.10% => 100% + 25.20% + 10.40%

C. Structures with one payment at maturity without cap

The third category includes the Notes which do not generate any Periodic Payments but one global payment at Maturity. This last payment can be fixed (in a so-called “zero coupon product”) or variable. The formulas as stipulated below will specify if the product is with redemption at 100% of the capital invested less fees or not.

Definition

The Variable Linked Redemption Amount can be constituted out of the next formula(s):

$$\text{Formula } i = \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \text{Performance}_i) + \text{Bonus}_i)]$$

The Final Terms will specify the parameters (Participation Rate, X%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify:

- 1) Which underlying will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds).
- 2) Which sub formula will apply to calculate the Performance. This Performance can be:
 - a) a single fixing
 - b) a difference between 2 Underlyings : $\text{Underlying}_1 - \text{Underlying}_2$
 - c) $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$, with or without reset of the Initial Price
 - d) $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$, with or without reset of the Initial Price
 - e) $\frac{\text{Final Price} - \text{Initial Price}}{\text{Final Price}}$, with or without reset of Initial Price
 - f) $\frac{\text{Initial Price} - \text{Final Price}}{\text{Final Price}}$, with or without reset of Initial Price
 - g) $\frac{\text{Final Price}}{\text{Initial Price}}$
 - h) $\sum_{j=1}^Y w_{i,j} \times \max\left(U\%, \min\left(\left(\frac{\text{Final Price}_j - \text{Initial Price}_j}{\text{Initial Price}_j}\right), Z\%\right)\right)$, with or without reset of the Initial Price. W means the weight of the Underlying. Y can be the number of Underlyings, or can be the number of periods.

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 3) If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
- 4) If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
- 5) How the Bonus_i is defined. The Bonus_i can be:
 - a. a fixed rate
 - b. a fixed rate subject to a condition on the Underlying
 - c. a rate which is the result of a Formula such as the Formulas above
 - d. A rate which is the result of a sum of Formulas such as the Formulas above.
- 6) What the Participation Rate will be.
- 7) What the floor X% will be.
- 8) What daycount convention has to be applied.

Examples

1. Optimal Performance

Definition:

In an Optimal Performance, there is no right to receive 100% of the invested capital less fees at Maturity. At Maturity, if the underlying (typically an equity index or equity share) is at or above its initial level, but below a defined threshold (for example 150%) investors receive 100 % of the invested capital plus a fixed amount (50% in this example).

If the Underlying is above this defined threshold of 150%, Noteholders will receive the performance of the Underlying.

If the Underlying is strictly below its initial level, Noteholders will receive 150 % of the performance. Below a certain level of the underlying, Noteholders will suffer a capital loss.

Product:

Redemption Amount :

1. Underlying: Eurostoxx 50 (SX5E)
2. Performance = $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$ if Final Price is \geq Initial Price (Subdivision 2.c) is applicable), no Reset for the Initial Price
 $= \frac{\text{Final Price}}{\text{Initial Price}}$ if Final Price is $<$ Initial Price (Subdivision 2.e) is applicable), no Reset for the Initial Price
3. Not applicable
4. Digitals are activated (Subdivision 4) is applicable)
5. Bonus = 0% if Final Price is \geq Initial Price
 - 100% if Final Price is $<$ Initial Price
6. Participation Rate = 100% if Final Price is \geq Initial Price
 150% if Final Price is $<$ Initial Price
7. X% = 50% if Final Price is \geq Initial Price
 Not applicable if Final Price is $<$ Initial Price
8. Y% = not applicable
9. No daycount

➡ If Final Price is \geq Initial Price

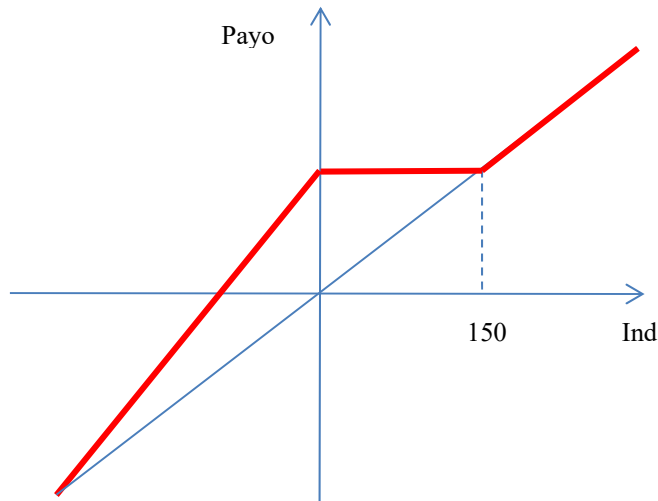
Formula for the Redemption Amount will be

$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ & = \text{Denomination} + [\text{Denomination} \times (100\% \times \max(50\%, \min(\text{Performance})) + 0\%)] \end{aligned}$$

➡ If Final Price is $<$ Initial Price then

Formula for the Redemption Amount will be

$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ & = \text{Denomination} + [\text{Denomination} \times (150\% \times \max(\min(\text{Performance})) - 100\%)] \end{aligned}$$



Optimistic Scenario

Final Price = 135% x Initial Price =>

$$\text{Denomination} + [\text{Denomination} \times (100\% \times \max(50\%, \min(35\%))) + 0\%] = 150\%$$

Pessimistic Scenario

Final Price = 40% x Initial Price =>

$$\text{Denomination} + [\text{Denomination} \times (150\% \times \max(\min(40\%)) - 100\%)] = 60\%$$

D. Structures with a sum of periodic calculation and payment at maturity

The fourth category includes the products which does not generate any Periodic Payments but one global payment at Maturity. This last payment can be seen as the sum of different periodical components.

The formulas as stipulated below will specify if the Note will have a Redemption Amount of 100% of the capital invested less fees or not.

Definition

The Variable Linked Redemption Amount can be constituted out of the next formula(s):

$$\text{Formula } i = \text{Denomination} +$$

$$\left[\text{Denomination} \times \max \left(V\%, \sum_{i=1}^n (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i))) + \text{Bonus}_i \right) \right]$$

The Final Terms will specify the parameters (Participation Rate, X%, Y%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify:

- 1) How many periods (n) will be used and what formula relates to what period
- 2) Which Underlying will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds).
- 3) Which sub formula will apply to calculate the Performance. This Performance can be:
 - a) a single fixing
 - b) a difference between 2 Underlyings: $\text{Underlying}_1 - \text{Underlying}_2$
 - c) $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$, with or without reset of the Initial Price

- d) $\frac{Initial\ Price - Final\ Price}{Initial\ Price}$, with or without reset of the Initial Price
- e) $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$, with or without reset of Initial Price
- f) $\frac{Final\ Price}{Initial\ Price - Final\ Price}$, with or without reset of Initial Price
- g) $\frac{Final\ Price}{Initial\ Price}$
- h) $\sum_{j=1}^Y w_{i,j} \times \max\left(U\%, \min\left(\left(\frac{Final\ Price_j - Initial\ Price_j}{Initial\ Price_j}\right), Z\%\right)\right)$, with or without reset of the Initial Price. W means the weight of the Underlying. Y can be the number of Underlyings, or can be the number of periods.

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 4) If the Note can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
- 5) If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
- 6) How the Bonus_i is defined. The Bonus_i can be:
 - a. a fixed rate
 - b. a fixed rate subject to a condition on the Underlying
 - c. a rate which is the result of a Formula such as the Formulas above.
 - d. A rate which is the result of a sum of Formulas such as the Formulas above.
- 7) What the Participation Rate will be.
- 8) What the floor X% will be.
- 9) What the cap Y% will be.
- 10) What the global floor of V% will be.
- 11) What daycount convention has to be applied.

Examples

1. Cliquet

Definition:

The Cliquet will pay at maturity the sum of the yearly performances of the Underlying, where yearly performances are floored at $X\%$ (for example, -3%) and capped at $Y\%$ (for example, 7%).

Global payout is floored at $V\%$ (for example, 0%) to have a right to receive 100% of the invested capital less fees at Maturity.

Product:

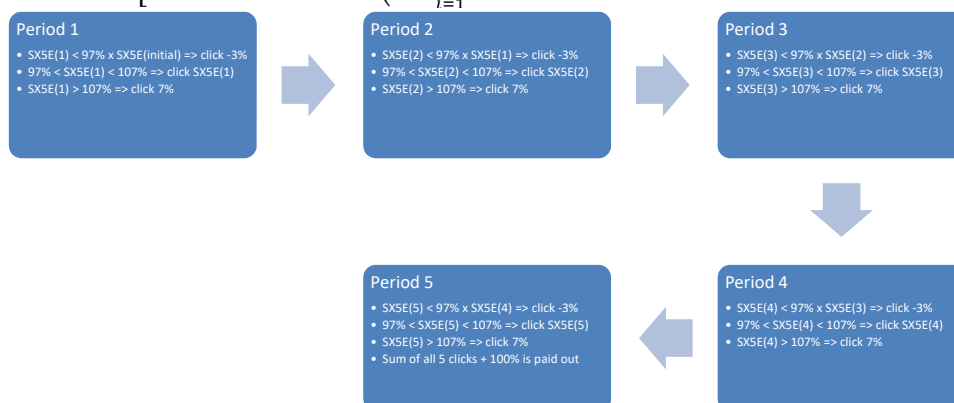
Redemption Amount :

1. Periods (n) : 5
2. Underlying : SX5E
3. Performance is $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$ (subformula 3.c)) with annual reset.
4. Not applicable
5. Not applicable
6. Bonus = 0 %
7. Participation Rate = 100%
8. $X\% = -3\%$
9. $Y\% = 7\%$
10. $V\% = 0\%$
11. No daycount

The Variable Linked Redemption Amount is equal to :

$$\text{Denomination} + \left[\text{Denomination} \times \max \left(V\%, \sum_{i=1}^n \left(\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i \right) \right) \right]$$

$$= \text{Denomination} + \left[\text{Denomination} \times \max \left(0\%, \sum_{i=1}^5 \left(100\% \times \max(-3\%, \min(\text{Performance}_i, 7\%)) + 0\% \right) \right) \right]$$



E. Structures with periodic payments and physical settlement

Typically, this category refers to Notes called reverse convertible for which the Redemption Amount is not equal to 100% of the capital invested less fees and can be done in physical instruments (shares for instance) depending on the final value of these shares instead of cash.

Definition

The Periodic Payments can be constituted out of the next formula(s) (for n periods):

$$\text{Formula } i = (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)$$

The Redemption Amount at the end of period n can be constituted out of the next formula's.

If the Performance is at or above a certain Barrier, the Redemption Amount is in cash at par.

If the Performance is below a certain Barrier, then physical settlement will apply.

Number of shares to be delivered

$$\frac{\text{Denomination}}{\text{Specified Denomination}} \times \left[\frac{\text{Specified Denomination}}{\text{Initial Price}} - \left(\text{Non - integer amount of } \frac{\text{Specified Denomination}}{\text{Initial Price}} \right) \right]$$

Fractional Share Amount

$$\frac{\text{Denomination}}{\text{Specified Denomination}} \times \text{Final Price} \times \left(\text{non - integer amount of } \frac{\text{Specified Denomination}}{\text{Initial Price}} \right)$$

These formulas stipulate how many shares will be delivered per Specified Denomination of the Notes. The number of shares has to be an integer amount. The non-integer amount will then be paid in cash (= Fractional Share Amount).

The Final Terms will specify the parameters (Participation Rate, X%, Y%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify:

- 1) How many periods (n) will be used and what formula relates to what period.
- 2) Which underlying will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds).
- 3) Which sub formula will apply to calculate the Performance. This Performance can be:
 - a) a single fixing
 - b) a difference between 2 Underlyings : $\text{Underlying}_1 - \text{Underlying}_2$
 - c) $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$, with or without reset of the Initial Price
 - d) $\frac{\text{Initial Price}}{\text{Initial Price} - \text{Final Price}}$, with or without reset of the Initial Price
 - e) $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$, with or without reset of Initial Price
 - f) $\frac{\text{Initial Price} - \text{Final Price}}{\text{Final Price}}$, with or without reset of Initial Price
 - g) $\frac{\text{Final Price}}{\text{Initial Price}}$
 - h) $\sum_{j=1}^y w_{i,j} \times \max \left(U\%, \min \left(\left(\frac{\text{Final Price}_j - \text{Initial Price}_j}{\text{Initial Price}_j} \right), Z\% \right) \right)$, with or without reset of the Initial Price. W means the weight of the Underlying. Y can be the number of Underlyings, or can be the number of periods.

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 4) If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
- 5) If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
- 6) How the Bonus_i is defined. The Bonus_i can be
 - a. a fixed rate
 - b. a fixed rate subject to a condition on the Underlying
 - c. a rate which is the result of a Formula such as the Formulas above.
 - d. a rate which is the result of a sum of Formulas such as the Formulas above.

- 7) What the Participation Rate will be.
- 8) What the floor X% will be.
- 9) What the cap Y% will be.
- 10) What daycount convention has to be applied.

Example

1. Reverse Convertible on Total shares

Definition:

The Reverse Convertible will pay a high fixed Interest Rate during the lifetime of the Note. The Redemption Amount will depend on the evolution of the Underlying. Is the Underlying at or above a certain barrier, the Redemption Amount will be at 100%. Is the Underlying below the barrier, the Redemption will be in a number of shares of the Underlying

Product:

Periodic payments:

1. Periods (n): 5
2. Underlying: Total
3. Performance is $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$ (subformula 3.c))
4. Not applicable
5. Not applicable
6. Bonus = 8 %
7. Participation Rate = 0%
8. X% = 0 %
9. Y% = 0%
10. Daycount: 30/360, unadjusted, following

$$\begin{aligned} & (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i) \\ & = (0\% \times \max(0\%_i, \min(Performance_i, 0\%_i)) + 8\%) \end{aligned}$$

Variable Linked Redemption Amount:

1. Periods (n): 5
2. Underlying: Total
3. Performance is $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$ (subformula 3.c))
4. Not applicable
5. Applicable: Condition = 70% x Initial Price
6. Bonus = 8 %
7. Participation Rate = 0%
8. X% = 0 %
9. Y% = 0%
10. Daycount: 30/360, following, unadjusted

➡ If Final Price is at or above 70% of Initial Price, then 100%,

Denomination

➡ Otherwise number of shares (Subdivision 5) is applicable)

Number of shares to be delivered

$$\frac{\text{Denomination}}{\text{Specified Denomination}} \times \left[\frac{\text{Specified Denomination}}{\text{Initial Price}} - \left(\text{Non - integer amount of } \frac{\text{Specified Denomination}}{\text{Initial Price}} \right) \right]$$

Fractional Share Amount

$$\frac{\text{Denomination}}{\text{Specified Denomination}} \times \text{Final Price} \times \left(\text{non - integer amount of } \frac{\text{Specified Denomination}}{\text{Initial Price}} \right)$$

Optimistic scenario

Final Price > 70% x Initial Price, then Coupon of 8% + 100% Redemption

Pessimistic scenario

For instance, if Final Price of Total = 22.90, which is below 70% x 38.20 (Initial Price of Total), then

Per Specified Denomination of € 1000,

$$\left[\frac{1000}{38.20} - \left(\text{Non - integer amount of } \frac{1000}{38.20} \right) \right] = 26 \text{ shares of Total.}$$

And

$$22.90 \times \left(\text{non - integer amount of } \frac{1000}{38.20} \right) = 4.08 \text{ euro in cash}$$

F Structures with a periodic payment of interest and an amortizing redemption

Typically, this category refers to Notes generating a periodic payment of Interest (fixed or variable) (the “Periodic Payment”) and for which the Redemption Amount at maturity is not equal to 100% of the capital invested less fees but for which the Redemption will be made in parts during the life of the instrument (several Partial Redemption Dates).

Definition

The Periodic Payments of Interest can be calculated by applying the next formula(s) [for n periods]:

$$\text{Formula } i = \text{Denomination} * \text{Pool Factor}_i \times \text{Interest Rate}_i$$

The Redemption Amount_i on Redemption Date_i (for i = 1 to period n-1) can be calculated by applying the next formula:

$$\text{Formula } i = [\text{Denomination} \times (\text{Pool Factor}_i - \text{Pool Factor}_{i+1})]$$

Save for the period i = n for which the Redemption Amount_n on Redemption Date_n can be calculated by applying the next formula:

$$\text{Formula } n = [\text{Denomination} \times (\text{Pool Factor}_n)]$$

The Final Terms will specify the parameters (Pool Factor_i, Interest Rate_i, Redemption Amount_i, Redemption Date_i) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify:

- 1) How many periods (n) will be used and what formula relates to what period.
- 2) In case of Floating Rate Notes, which underlying (the “Underlying”) will be used to calculate the Interest Rate_i (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds) (as defined in the Final Terms).

In case of Fix Rate Note, the Interest Rate_i determined for each period.

- 3) Which sub formula will apply to calculate the Performance. This Performance can be:
 - a) a single fixing
 - b) a difference between 2 Underlyings : Underlying₁ – Underlying₂
 - c) $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$, with or without reset of the Initial Price
 - d) $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$, with or without reset of the Initial Price
 - e) $\frac{\text{Final Price} - \text{Initial Price}}{\text{Final Price}}$, with or without reset of Initial Price
 - f) $\frac{\text{Initial Price} - \text{Final Price}}{\text{Final Price}}$, with or without reset of Initial Price
 - g) $\frac{\text{Final Price}}{\text{Initial Price}}$
 - h) $\sum_{j=1}^Y w_{i,j} \times \max \left(U\%, \min \left(\left(\frac{\text{Final Price}_j - \text{Initial Price}_j}{\text{Initial Price}_j} \right), Z\% \right) \right)$, with or without reset of the Initial Price. W means the weight of the Underlying. Y can be the number of Underlyings, or can be the number of periods.

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 4) The Partial Redemption Date(s)_i
- 5) What the Pool Factor_i will be.
- 6) What daycount convention has to be applied.

Example

1. Liquidity

Definition:

The Liquidity issue will pay a step up Interest Rate (1% the first year, 1% the second year, 1.10% the third year, 1.30% the fourth year, 1.60% the fifth year, 2% the sixth year) during the lifetime of the Notes. The Redemption Amount will be spread over time, with partial redemption of the invested capital (less fees) starting from year 3. The Interest Amount is paid on the outstanding nominal of the Notes, which means that we must apply a pool factor to the Denominations in order to compute the Interest Amount received on each Denomination. The cumulative Redemption Amounts will be at 100%.

Product:

Periodic payments of interest and capital:

1. Periods (n): 6

2. Interest Rates

i	Interest Rate _i
1	1%
2	1%
3	1.10%
4	1.30%
5	1.60%
6	2%

3. Not Applicable

4. Redemption Dates

i	Redemption Date _i
1	7 October 2015
2	7 October 2016
3	7 October 2017
4	7 October 2018
5	7 October 2019
6	7 October 2020

5. Pool Factor

i	Pool Factor _i
1	100%
2	100%
3	100%
4	75%
5	50%
6	25%

6. Daycount: ACT/ACT ICMA, unadjusted, following

8.3. Interest on the Notes

The interest to be paid on the Notes (the “**Interest**”) can be based on a fixed rate (“**Fixed Rate**”, such Notes to be referred to as “**Fixed Rate Notes**”), a floating rate (“**Floating Rate**”, such Notes referred to as “**Floating Rate Notes**”) or linked to any other variable, formula and/or underlying (“**Variable Linked Rate**”, such Notes to be referred to as “**Variable Linked Rate Notes**”) (Fixed Rate, Floating Rate and Variable Linked Rate are together referred to as “**Interest Rate**”). The Interest Rate is expressed as a percentage per annum.

The Notes can also be Zero Coupon Notes, in which case no Interest is paid periodically.

The Interest is calculated per Note for each Interest Period as the product of the Calculation Amount, the Interest Rate and the Day Count Fraction, unless an Interest Amount is specified in the relevant Final Terms, in which case the Interest payable in respect of such Note for such Interest Period shall equal such Interest Amount.

Interest shall cease to accrue on each Note from the due date for redemption thereof unless payment of the principal thereof or delivery of the Redemption Amount (as defined below) to be delivered in respect thereof is improperly withheld or refused or unless default is otherwise made in respect of such payment. In such event, interest shall only cease to accrue from the date on which payment of such Redemption Amount in respect thereof is made or, if earlier and if applicable, from the seventh day after notice is given to the Noteholders in accordance with these Terms and Conditions that payment of the Redemption Amount will be made, provided that, upon such presentation, payment is in fact made.

8.3.1. Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Interest Rate specified in the relevant Final Terms, such interest being payable in arrears on each Interest Payment Date.

8.3.2. Floating Rate Notes

Floating Rate Notes bear Interest at the Floating Rate specified in the relevant Final Terms, as fixed on the Interest Determination Date applicable to the relevant Interest Payment Date and payable in arrears. The Floating Rate will be determined by the Calculation Agent as the sum of the rate published on the Publication Source for the specified Designated Maturity and the Spread, all as specified in the relevant Final Terms.

If however a Maximum Rate is specified in the Final Terms and the Floating Rate (determined as described above) is equal to or higher than the Maximum Rate, the Floating Rate will be such Maximum Rate.

If however a Minimum Rate is specified in the Final Terms and the Floating Rate (determined as described above) is equal to or lower than the Minimum Rate, the Floating Rate will be such Minimum Rate.

8.3.3. Variable Linked Rate Notes

Variable Linked Rate Notes bear Interest at the Variable Linked Rate specified in the relevant Final Terms, as fixed in the way specified in the Final Terms, and payable in arrears. The Variable Linked Provisions below will apply.

8.3.4. Zero Coupon Notes

Zero Coupon Notes may be issued at their principal amount or at a discount to it, applying an Amortisation Yield, and will not bear Interest. Zero Coupon Notes that are also Bearer Notes may be subject to certain formalities on transfer under the laws of Luxembourg.

8.3.5. Payment of the Interest

Interest on the Notes will be payable in arrears on the applicable Interest Payment Date. The first payment of Interest will be on the first Interest Payment Date following the Issue Date. The last payment will be on the Maturity Date.

8.3.6. Benchmark Replacement

Notwithstanding the other provisions in this Condition 9, if the Issuer determines that a Benchmark Event occurs in relation to the relevant Reference Rate when any Interest Rate (or the relevant component part thereof) remains to be determined by reference to such Reference Rate, then the following provisions shall apply to the relevant Notes:

- (i) the Issuer shall use reasonable endeavours, as soon as reasonably practicable, to appoint and consult with an Independent Adviser with a view to the Issuer determining (without any requirement for the consent or approval of the Noteholders) (A) a Successor Rate (as defined below) or, failing which, an Alternative Reference Rate (as defined below), for purposes of determining the Interest Rate (or the relevant component part thereof) applicable to the Notes and (B) in either case, an Adjustment Spread (as defined below);
- (ii) if the Issuer is unable to appoint an Independent Adviser prior to the IA Determination Cut-Off Date (as defined below), the Issuer (acting in good faith and in a commercially reasonable manner) may still determine (A) a Successor Rate or, failing which, an Alternative Reference Rate and (B) in either case, an Adjustment Spread (as defined below) in accordance with this Condition 8.3.6;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with paragraphs (i) or (ii) above, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (as applicable) (subject to the subsequent operation of, and to adjustment as provided in, this Condition 8.3.6);
- (iv) if the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Issuer may (without any requirement for the consent or approval of the Noteholders) also specify changes to these Terms and Conditions, including but not limited to (A) the Day Count Fraction, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Floating Rate Notes or Variable Linked Notes applicable to the Notes and (B) the method for determining the fall-back rate in relation to such Notes, in any such case in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate or any Adjustment Spread (as applicable). If the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Issuer is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Fiscal Agent and any other agents party to the Agency Agreement shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Terms and Conditions as may be required in order to give effect to the application of this Condition 8.3.6. No consent shall be required from the Noteholders in connection with determining or giving effect to the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps to be taken by the Fiscal Agent and any other agents party to the Agency Agreement (if required or useful); and

- (v) the Issuer shall promptly, following the determination of any Successor Rate, Alternative Reference Rate or Adjustment Spread (as applicable), give notice thereof to the Calculation Agent, the Fiscal Agent and, in accordance with Condition 8.17, the Noteholders. Such notice shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any consequential changes made to the Agency Agreement and these Terms and Conditions (if any).

An Independent Adviser appointed pursuant to this Condition 8.3.6 shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Calculation Agent, the Fiscal Agent or the Noteholders for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 8.3.6.

Without prejudice to the obligations of the Issuer under this Condition 8.3.6, the Reference Rate and the other provisions in this Condition 8.3 will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any consequential changes made to the Agency Agreement and these Terms and Conditions (if any).

For the purposes of this Condition 8.3.6:

“Adjustment Spread” means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the relevant circumstances, any economic prejudice or benefit (as applicable) to the Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (iii) if no such customary market usage is recognised or acknowledged, the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (iv) if no such industry standard is recognised or acknowledged, the Issuer, in its discretion, following consultation with the Independent Adviser (if any) and acting in good faith, determines to be appropriate.

“Alternative Reference Rate” means the rate that the Issuer determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Issuer determines that there is no such rate, such other rate as the Issuer determines in its discretion is most comparable to the relevant Reference Rate.

“Benchmark Event” means:

- (v) the relevant Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (vi) a public statement by the administrator of the relevant Reference Rate stating that it will, by a specified date within the following six months, cease to publish the relevant Reference Rate, permanently or

indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or

- (vii) a public statement by the supervisor of the administrator of the relevant Reference Rate stating that the relevant Reference Rate has been or will be, by a specified date within the following six months, permanently or indefinitely discontinued; or
- (viii) a public statement by the supervisor or the administrator of the relevant Reference Rate that means that the relevant Reference Rate will be prohibited from being used within the following six months; or
- (ix) it has become unlawful for the Calculation Agent, the Fiscal Agent or any other agents party to the Agency Agreement to calculate any payments due to be made to any Noteholders using the relevant Reference Rate.

“IA Determination Cut-Off Date” means no later than five Business Days prior to the relevant Interest Determination Date (as applicable) relating to the next succeeding Interest Period.

“Independent Adviser” means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case selected and appointed by the Issuer at its own expense.

“Reference Rate” means (i) the applicable reference rate specified in the Floating Rate Note Provisions of the Final Terms in respect of the Floating Rate applicable to the Floating Rate Notes or, as the case may be, (ii) the applicable reference rate specified in the Variable Linked Rate Note Provisions of the Final Terms in respect of the Market Rate applicable to the Variable Linked Rate Notes.

“Relevant Nominating Body” means, in respect of a Reference Rate:

- (x) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or
- (xi) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof.

“Successor Rate” means the rate that the Issuer determines is a successor to, or replacement of, the Reference Rate (as applicable) which is formally recommended by any Relevant Nominating Body.

8.4. Definitions

“Averaging Dates”: Means the dates specified as such in the relevant Final Terms.

If an Averaging Date in respect of the Underlying is not a Scheduled Trading Day, then, the Averaging Date for such Underlying shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Initial Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (1) that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in respect of such Underlying and, (2) the Calculation Agent shall determine its good faith estimate of the value for the Underlying as of the Valuation Time on that Averaging Date

If an Averaging Date for the Underlying is affected by the occurrence of a Disrupted Day, then, the Averaging Date for such Underlying shall be the first succeeding Valid Date. If the first succeeding Valid Date in respect of such Underlying has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (1) that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in respect of such Underlying and, (2) the Calculation Agent shall determine its good faith estimate of the value for the Underlying as of the Valuation Time on that Averaging Date

“Business Day”:

Regarding the Notes issued outside the X/N System, **“Business Day”** means:

a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place(s) and on the days specified for that purpose in the related Final Terms, a TARGET Settlement Day, if “TARGET”, “TARGET2” or “TARGET Settlement Day” is specified for that purpose in the related Final Terms or if place(s) and days, or such terms, are not so specified in the related Final Terms.

Regarding the Notes that will be issued through the X/N Clearing System (**“X/N System”**) of the National Bank of Belgium, **“Business Day”** means:

- (xii) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and
- (xiii) in the case of euro, (a) a day other than a Saturday or Sunday on which the NBB-SSS is operating and (b) a day on which banks and forex markets are open for general business in Belgium and (c) (if a payment in euro is to be made on that day), a day which is a business day for the TARGET2 System (a **“TARGET Business Day”**); and
- (xiv) in the case of a currency other than euro and/or one or more business centres (the **“Business Centre(s)”**), as specified in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in each of the Business Centres.

“Business Day Convention”:

means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, when used in conjunction with the term “Business Day Convention” and a date, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a Business Day so that:

- (i) if **“Following”** is specified, that date will be the first following day that is a Business Day;
- (ii) if **“Modified Following”** or **“Modified”** is specified, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day; and

- (iii) if “**Preceding**” is specified, that date will be the first preceding day that is a Business Day.

In the event of Notes cleared to the X/N Clearing System, the Following Business Days Convention will always be applicable for Fixed Rate Notes (unless otherwise specified in the applicable Final Terms).

“Calculation Agent”:

means Belfius Bank, unless specified otherwise in the relevant Final Terms. Whenever the Calculation Agent is required to act or to exercise judgment in any way, it will do so in good faith and in a commercially reasonable manner. The Calculation Agent shall have no responsibility to Noteholders for good faith errors or omissions in its calculations (without limitation, errors or omissions due to events which are not under the direct control of the Calculation Agent) and determinations as provided in the Terms and Conditions, except for those resulting from the gross negligence or wilful misconduct of the Calculation Agent. (see 8.13 “Responsibility of the Calculation Agent” in the Base Prospectus).

“Calculation Amount”:

means the Denomination or such other Amount as specified in the applicable Final Terms

“Day Count Fraction”:

means, in respect of the Notes and the calculation of the Interest:

- (i) if “1/1” is specified or nothing is specified, 1,
 - (ii) if “**Actual/Actual-ICMA**” is specified in the applicable Final Terms,
 - (aa) if the Interest Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Interest Period divided by the product of
 - (x) the number of days in such Determination Period and
 - (y) the number of Determination Periods normally ending in any year;
- and
- (bb) if the Interest Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Interest Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Interest Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“Determination Dates” means the dates specified in the applicable Final Terms or, if none is so specified, the Interest Payment Date and, the Interest Commencement Date.

- (iii) if “**Actual/Actual**” or “**Act/Act**” is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of:
 - (a) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and
 - (b) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (iv) if “**Actual/365 (Fixed)**”, “**Act/365 (Fixed)**”, “**A/365 (Fixed)**” or “**A/365F**” is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 365;
- (v) if “**Actual/360**”, “**Act/360**” or “**A/360**” is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 360;
- (vi) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified, the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\begin{aligned} &\text{Day Count Fraction} \\ &= \\ &\frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360} \end{aligned}$$

Where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30; and

- (vii) if “**30E/360**” or “**Eurobond Basis**” is specified, the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\begin{aligned} &\text{Day Count Fraction} \\ &= \end{aligned}$$

$$\frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30.

“EURIBOR”

means that the rate for the relevant Interest Determination Date will be the rate for deposits in euros for a period of the Designated Maturity as of 11:00 a.m., Brussels time on the day that is two TARGET Settlement Days preceding that Interest Determination Date, as determined by the Calculation Agent.

“Hedge Positions”

means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, options, futures, derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by the Issuer or, in the case of Belfius Financing Company Notes, Guarantor in order to hedge, individually or on a portfolio basis, the Notes.

“Interest Commencement Date”: means the Issue Date or such other date specified in the relevant Final Terms.

“Interest Determination Date”: means each date specified as such in the relevant Final Terms.

“Interest Payment Date”: means each date, as specified in the relevant Final Terms, on which the Interest as determined by the Calculation Agent for the applicable Interest Period is payable in accordance with Condition 8.3.5. *Payment of the Interest*.

If such day is not a Business Day it will be adjusted by the Business Day Convention specified in the relevant Final Terms.

“Interest Period”: means each period from, and including, one Interest Period End Date to, but excluding, the next following applicable Interest Period End Date, except that the initial Interest Period will commence on, and include, the Interest Commencement Date.

“Interest Period End Date”:	<p>If “Adjusted” is specified in the relevant Final Terms, Interest Period End Date means the relevant Interest Payment Date.</p> <p>If “No Adjustment” is specified in the relevant Final Terms, Interest Period End Date means the relevant Interest Payment Date, without however applying any adjustment in accordance with the Business Day Convention specified to be applicable to the Interest Payment Dates.</p> <p>If “Adjusted” or “No Adjustment” is not specified in the relevant Final Terms, the Interest Period End Date(s) shall be as specified in those Final Terms.</p>
“Issue Date”:	means the date on which the Notes are issued as specified in the relevant Final Terms.
“Maturity Date”:	means the date on which the Notes come to maturity as specified in the relevant Final Terms, unless such day is not a Business Day in which case it will be adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.
“Specified Currency”:	means the currency of the Notes as specified in the relevant Final Terms.
“TARGET Settlement Day”:	means any day on which TARGET 2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.
“Valid Date”:	Means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date, or Initial Averaging Date as applicable, in respect of the relevant Valuation Date, or Initial Valuation Date as applicable, does not or is not deemed to occur.

8.5. Redemption and Purchase

8.5.1. Final Redemption

Unless previously entirely redeemed, purchased and cancelled or unless its maturity is extended pursuant to an Issuer’s or Noteholder’s Option the Notes shall be redeemed on the Maturity Date. The Notes may not be redeemed prior to that date, without prejudice to the other provisions of these Terms and Conditions.

The Redemption of the Notes can be Variable Linked (**“Variable Linked Redemption Amount”**), in which case the Variable Linked Provisions below will apply.

8.5.2. Partial Redemption

If Partial Redemption is provided to be applicable in the relevant Final Terms, the Notes shall be partially redeemed without giving notice to the Noteholders on the Partial Redemption Date(s) so provided in the relevant Final Terms. Any such partial redemption of Notes shall be at the relevant Partial Redemption Amount specified in the relevant Final Terms.

8.5.3. Redemption at the Option of the Issuer

If a Call Option is provided to be applicable in the relevant Final Terms, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer’s Optional Redemption Period redeem all or, if so provided, some of the Notes in the principal amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount together with interest accrued to the date fixed for redemption, unless otherwise specified in the relevant Final Terms. Any such redemption or exercise must relate to the Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed, as

specified in the relevant Final Terms, and be no greater than the Maximum Redemption Amount to be redeemed, as specified in the relevant Final Terms.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice.

The above-described Redemption at the Option of the Issuer does not cover the situation of an early redemption upon the occurrence of a force majeure event or an Extraordinary Event, as specified in section 8.

8.5.4. Mandatory Early Redemption

If Mandatory Early Redemption is provided to be applicable in the relevant Final Terms and one or more Trigger Events (as defined in the Final Terms), the Issuer shall without giving notice to the Noteholders automatically redeem all or, if so provided, some of the Notes in the principal amount or integral multiples thereof on the Mandatory Early Redemption Date(s) so provided in the relevant Final Terms once the Calculation Agent determines that a Trigger Event has occurred. Any such redemption of Notes shall be at the Mandatory Early Redemption Amount specified in the relevant Final Terms.

The Trigger Events mentioned above can relate to the following (without however being exhaustive, these are merely examples):

- in case a Variable Linked Redemption Amount depends on the evolution of one or more Underlyings, a Trigger Event applies, for example, if the level of the relevant Underlying exceeds on a specified date a certain pre-defined value as specified in the relevant Final Terms;
- in case the relevant Notes bear interest, a Trigger Event applies, for example, if the sum of the Interest Amounts paid together with the Interest Amount payable on the next following Interest Payment Date exceeds an amount specified in the relevant Final Terms. As a consequence, the Interest Amount payable in respect of such Note for the relevant Interest Period may be capped in order not to exceed the amount specified in the relevant Final Terms.

8.5.5. Repurchase

The Issuer or, as applicable, the Guarantor and any of their subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The price will be determined by the Issuer, the Guarantor or any of their subsidiaries at the relevant time. They will determine the price in accordance with market practice and at their discretion, but the investors will remain free to accept the proposed price, or to continue to hold their Notes.

8.5.6. Cancellation

All Notes purchased by or on behalf of the Issuer, as applicable, the Guarantor or any of their subsidiaries may thereafter be cancelled by the Fiscal Agent or by the Domiciliary Agent by a reduction of the principal amount of such notes. Any Notes so redeemed or purchased and cancelled in accordance with this Condition may not be reissued or resold and the obligations of the Issuer and, as applicable, the Guarantor in respect of any such Notes shall be discharged.

8.6. Payment

Noteholders shall pay the Denominations on the subscribed Notes in cash at the time of subscription or by debit of the cash account linked to the securities account, in which Notes are to be held, on the Issue Date.

If the Issue Date is a day, which is not a Business Day in the place of payment of the Denominations, payment will be due on that day as adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.

Any amounts payable by the Issuer in respect of the Notes, be they Interests, Redemption Amounts or other, shall be made by transfer to the cash account linked to the securities account in which the Notes are held subject to all applicable laws and regulations.

If the date for payment of Interest, Redemption Amount or any other amount due to the Noteholders is a day, which is not a Business Day in the place of payment, the Noteholders shall not be entitled to payment until the day as adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.

8.7. Variable Linked Provisions

A Variable Linked Rate or a Variable Linked Redemption Amount can depend on the evolution of one or more Underlyings. If it is specified in the Final Terms that the Underlying is either (i) one or more Market Rates; (ii) a Share or a Basket of Shares, (iii) a Share Index or a Basket of Share Indices, (iv) a Fund or a Basket of Funds, (v) a Commodity or a Basket of Commodities, (vi) a Commodity Index or a Basket of Commodity Indices, or (vii) an Inflation Index, the applicable provisions below in relating to the respective Underlying will apply.

More information on the relevant index can be found via the Bloomberg channels or as otherwise specified in the Final Terms (as applicable).

8.7.1. Market Rate

The Underlying can be a Market Rate, such as the EUR CMS Rate or the 3 Month EURIBOR, as defined below, or any other Market Rate, as defined in the relevant Final Terms.

Please also refer to the provisions of *Condition 8.3.6 (Benchmark Replacement)*.

EUR CMS Rate: Means that the rate for the relevant Interest Determination Date will be the annual swap rate for euro swap transactions with a maturity of the Designated Maturity, expressed as a percentage, as of 11:00 a.m., Frankfurt time, on the day that is two TARGET Settlement Days preceding that Interest Determination Date, as determined by the Calculation Agent.

3 Month EURIBOR: Means EUR-EURIBOR Reuters, fixed at 11:00 am Brussels time, as displayed on Reuters Screen page EURIBOR01.

8.7.2. Share or Basket of Shares

8.7.2.1. Definitions

Share: Means the share specified as such in the relevant Final Terms.

Share Basket: Means a basket of shares as specified in the relevant Final Terms.

i: The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Share in the Share Basket separately.

w: Means the weight of a certain Share in the Share Basket.

Exchange: Means each exchange or quotation system specified as such for such Share in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

Related Exchange: Means, each exchange or quotation system specified as such for the relevant Share in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share has temporarily

relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.

Initial Price:	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the Relevant Price of the relevant Share at the Valuation Time on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Share or Share Basket as of the Valuation Time on each Initial Averaging Date.
Final Price:	Means the Relevant Price of the relevant Share on the relevant Valuation Date, as determined by the Calculation Agent, or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Share or Share Basket as of the Valuation Time on each Averaging Date.
Initial Valuation Date:	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Share, the Initial Price of such Share shall be determined on the basis of the Relevant Price of such Share as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
Valuation Date:	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Share, the Final Price of such Share shall be determined on the basis of the Relevant Price of such Share as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date
Relevant Price:	Means the price of the relevant Share determined by the Calculation Agent at the Valuation Time on the Exchange.
Valuation Time:	Means the time on the relevant Valuation Date, specified as such in the related Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, in relation to each Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.
Scheduled Closing Time:	Means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.
Scheduled Trading Day:	Means any day on which the Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.
Exchange Business Day:	Means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

8.7.2.2. Market Disruption

“**Market Disruption Event**” means in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure.

In that respect, “**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

In that respect, “**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) the Shares on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

In that respect, “**Early Closure**” means the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

If any Valuation Date is a Disrupted Day, then:

- if the Underlying is a Share, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine its good faith estimate of the value of the Share as of the Valuation Time on that eighth Scheduled Trading Day; and
- if the Underlying is a Basket of Shares, the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the scheduled Valuation Date, and the Valuation Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Share, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Share. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for that Share as of the Valuation Time on that eighth Scheduled Trading Day.

8.7.2.3. Potential Adjustment Events

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date of a Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and if so will:

- make the corresponding adjustment(s), if any, to any relevant variable in the Variable Linked formulae of the Notes, which may include the Initial Price or the Final Price, used to calculate any Variable Linked Rate or Variable Linked Redemption Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to

account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and

- determine the effective date(s) of the adjustment(s).

The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.

For the purpose hereof, “**Potential Adjustment Event**” shall mean any of the following:

- a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event), or, a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- a distribution, issue or dividend to existing holders of the relevant Shares of (a) such Shares, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of such Shares equally or proportionately with such payments to holders of such Shares, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the issuer of the Shares as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- an extraordinary dividend as determined by the Calculation Agent;
- a call by the issuer of the relevant Shares in respect of such Shares that are not fully paid;
- a repurchase by the issuer of the relevant Shares or any of its subsidiaries of such Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- in respect of the issuer of the relevant Shares, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the issuer of the relevant Shares pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 8.

8.7.2.4. Extraordinary Events

“**Extraordinary Event**” means any of Merger Event, Tender Offer, Nationalisation, Insolvency, Delisting, De-merger Event, or Insolvency Filing, as the case may be.

“**Merger Event**” means in respect of any relevant Shares:

- any reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person; or

- any consolidation, amalgamation, merger or binding share exchange of the issuer of the relevant Shares with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such issuer is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding);
- any takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the issuer of the relevant Shares that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person); or
- any consolidation, amalgamation, merger or binding share exchange of the issuer of the relevant Shares or its subsidiaries with or into another entity in which the issuer of the relevant Shares is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event (a “Reverse Merger”) in each case if the effective date of the Merger Event is on or before the final Valuation Date.

“**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the issuer of the relevant Shares, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

“**Nationalisation**” means that all the Shares or all the assets or substantially all the assets of the issuer of the relevant Shares are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the issuer of the relevant Shares, (A) all the Shares of that issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that issuer become legally prohibited from transferring them (each time as determined in good faith by the Calculation Agent).

“**Delisting**” means that the Exchange announces that pursuant to the rules of such Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or where the Exchange is within the European Union, in any member state of the European Union).

“**De-merger Event**” means that the issuer of the relevant Shares is affected by a de-merger (such as, but not limited to, spin off, scission or any operation of a similar nature) leading to the attribution of a basket comprising New Shares and/ or Other Consideration and/ or the relevant Share affected by the de-merger (as the case may be), such basket resulting from such de-merger.

In that respect, “**New Shares**” means ordinary or common shares, whether of the entity or person involved or a third party, that are promptly scheduled to be (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange (or where the Exchange is within the European Union, in any member state of the European Union) and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations. Other Consideration means cash and/or any securities (other than New Shares) or assets whether of the entity or person involved or a third party.

“**Insolvency Filing**” means that the issuer of the relevant Shares institutes or has instituted against it by a regulator, supervisor, or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it

consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the relevant Shares shall not be deemed an Insolvency Filing.

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of any Share, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate (including substitution of any affected Share). Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.

For the avoidance of doubt, if the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Extraordinary Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, or in other cases (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles explained under Section 8.

8.7.3. Share Index or Basket of Share Indices

The terms applicable to an Index will differ, depending on whether the Index is specified in the relevant Final Terms to be Multiple Exchange or not. The applicable provisions below will apply.

8.7.3.1. Terms applicable irrespective of whether an Index is Multiple Exchange or not

Definitions

- Index:** Means the index specified as such in the relevant Final Terms.
- Index Basket:** Means a basket of indices as specified in the relevant Final Terms.
- i:** The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Index in the Index Basket separately.
- w:** Means the weight of a certain Index in the Index Basket.
- Index Sponsor:** Means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level for the relevant Index on a regular basis during each Scheduled Trading Day.
- Initial Price:** Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the level of the relevant Index at the Valuation Time on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the levels of the relevant Index as of the Valuation Time on each Initial Averaging Date.
- Final Price:** Means the level of the relevant Index at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the levels of the relevant Index as of the Valuation Time on each Averaging Date.

Initial Valuation Date:	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Index, the Initial Price of such Index shall be determined on the basis of the level of such Index as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
Valuation Date:	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Index, the Final Price of such Index shall be determined on the basis of the level of such Index as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date
Relevant Price	Means the level of the relevant Index determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.
Scheduled Closing Time:	Means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

Consequences of Disrupted Days

If any Valuation Date is a Disrupted Day, then:

- if the Underlying is an Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day); and
- if the Underlying is a Basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the scheduled Valuation Date, and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Index. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

Adjustment to Indices

- If a relevant Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula

for and method of calculation as used in the calculation of that Index, then that index (the “**Successor Index**”) will be deemed to be the Index.

- If (i) on or prior to any Valuation Date in respect of an Index, the relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalization and other routine events) (an “**Index Modification**”) or permanently cancels the Index and no Successor Index exists (an “**Index Cancellation**”) or (ii) on any Valuation Date, the Index Sponsor fails to calculate and announce a relevant Index (an “**Index Disruption**” and together with an Index Modification and an Index Cancellation, each an “**Index Adjustment Event**”), the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Notes and if so, shall calculate the level of the Index, using, in lieu of a published level for that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and the method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event.

For the purpose hereof “**Index Sponsor**” means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the Index and (b) announces (directly or through an agent) the level of the Index on a regular basis during each Scheduled Trading Day.

For the avoidance of doubt, if the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Agent could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “**Notices**”, that the relevant consequence of the Extraordinary Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, or in other cases (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles explained under Section 8.

8.7.3.2. Terms applicable to an Index that is not Multiple Exchange

Exchange: Means each exchange or quotation system specified as such for such Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Shares underlying such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

Related Exchange: Means, each exchange or quotation system specified as such for the relevant Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “**All Exchanges**” is specified as the Related Exchange in the relevant Final Terms, “**Related Exchange**” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

Valuation Time: Means the time on the relevant Valuation Date, specified as such in the related Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, in relation to each Index to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular

trading session, then the Valuation Time shall be such actual closing time.

Scheduled Trading Day: Means any day on which the Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

Exchange Business Day: Means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

Market Disruption

“**Market Disruption Event**” means in respect of an Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure. For the purposes of determining whether a Market Disruption Event exists at any time, if a Market Disruption Event occurs in respect of a security included in the relevant Index at any time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

In that respect, “**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to securities that comprise 20 percent or more of the level of the relevant Index, or (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

In that respect, “**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) securities that comprise 20 percent or more of the level of the relevant Index, or (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

In that respect, “**Early Closure**” means the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities that comprise 20 per cent or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

8.7.3.3. Terms applicable to an Index that is Multiple Exchange

Exchange: Means in respect of each component security of the Index (each, a “Component Security”), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.

Related Exchange: Means, each exchange or quotation system specified as such for the relevant Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is

specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

Valuation Time: Means: (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official level of the Index is calculated and published by the Index Sponsor.

Scheduled Trading Day: Means any day on which: (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

Exchange Business Day: Means any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index; and (ii) the Related Exchange is open for trading during its respective regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time.

“**Market Disruption Event**” means either

- (i) (a) the occurrence or existence, in respect of any Component Security of:
 - (1) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
 - (2) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; OR
 - (3) an Early Closure in respect of such Component Security; AND
- (b) the aggregate of all Component Security in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (a) a Trading Disruption; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event in respect of any Index exists at any time, if a Market Disruption Event occurs in respect of a Component Security at any time, then the relevant percentage contribution of that Component Security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security and (y) the overall level of the Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market “opening data”.

In that respect, “**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

In that respect, “**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or

obtain market values for: (i) any Component Security on the Exchange, in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

In that respect, “**Early Closure**” means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which: (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred.

8.7.4. Fund or Basket of Funds

8.7.4.1. Definitions

Reference Fund:	Means the Reference Fund specified as such in the relevant Final Terms.
Fund Basket:	Means a basket of Reference Funds as specified in the relevant Final Terms.
i:	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Reference Fund in the Fund Basket separately.
w:	Means the weight of a certain Reference Fund in the Fund Basket.
Fund Interest Unit:	Means a notional unit of account of ownership in a Reference Fund, whether a share or another type of unit.
Initial Price:	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the Relevant Price of a Fund Interest Unit in the relevant Reference Fund for the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Fund Interest Unit in the relevant Reference Fund as of the Valuation Time on each Initial Averaging Date.
Final Price:	Means the Relevant Price of a Fund Interest Unit in the relevant Reference Fund for the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Fund Interest Unit in the relevant Reference Fund as of the Valuation Time on each Averaging Date.
Initial Valuation Date:	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Fund Valuation Date in respect of the relevant Reference Fund, the Initial Price of a Fund Interest Unit in such Reference Fund shall be determined on the basis of the Relevant Price of such Fund Interest Unit as calculated on the immediately following Scheduled Fund Valuation Date, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
Valuation Date:	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Fund Valuation Date in respect of the relevant Reference Fund, the Final Price of a Fund Interest Unit in such Reference Fund shall be determined on the basis of the Relevant Price of such Fund Interest Unit as calculated on the immediately following Scheduled Fund Valuation Date, or, if

Averaging is specified as applicable, means the final Averaging Date.

Relevant Price: Means the price of the relevant Fund Interest Unit as published by the Fund Administrator.

In case a price in respect of any Valuation Date is not published by the fourth Scheduled Fund Valuation Date, the Calculation Agent may determine such price taking into account prevailing market conditions.

Scheduled Fund Valuation Date: Means any date in respect of which the relevant Reference Fund (or its service provider that generally determines such value) is scheduled, according to its Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of Fund Interest Units); to determine the value of such Fund Interest Unit or, if the relevant Reference Fund only reports its aggregate net asset value, the date in respect of which such Reference Fund is scheduled to determine its aggregate net asset value.

Fund Documents: Means, with respect to any Fund Interest Unit, the constitutive and governing documents, subscription agreements and other agreements of the related Reference Fund specifying the terms and conditions relating to such Fund Interest Unit, as amended from time to time.

8.7.4.2. Potential Adjustment Events

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date of a Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units and if so will:

(i) make the corresponding adjustment(s), if any, to any relevant variable in the Variable Linked formulae of the Notes, which may include the Initial Price or the Final Price, used to calculate any Variable Linked Rate or Variable Linked Redemption Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends or liquidity relative to the relevant Fund Interest Unit) and

(ii) determine the effective date(s) of the adjustment(s).

For the purpose hereof, “**Potential Adjustment Event**” shall mean any of the following:

- a subdivision, consolidation or reclassification of the relevant Fund Interest Units or a free distribution or dividend of any such Fund Interest Units to existing holders by way of bonus, capitalisation or similar issue;
- a distribution, issue or dividend to existing holders of the relevant Fund Interest Units of (a) an additional amount of such Fund Interest Units, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Reference Fund equally or proportionately with such payments to holders of such Fund Interest Units, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Reference Fund as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- an extraordinary dividend as determined by the Calculation Agent;
- a repurchase by the Reference Fund of relevant Fund Interest Units whether the consideration for such repurchase is cash, securities or otherwise, other than in respect of a redemption of Fund Interest Units initiated by a Noteholder in such Fund Interest Units initiated by a Noteholder in such Fund Interest Units that is consistent with the Fund Documents; or
- any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 8.

8.7.4.3. Extraordinary Events

Means any of Nationalisation, Insolvency, Fund Insolvency Event, Fund Modification, Strategy Breach, Regulatory Action and Reporting Disruption.

“**Nationalisation**” means that all the Fund Interest Units or all or substantially all the assets of a Reference Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“**Insolvency**” means that by reason of voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Reference Fund, (i) all the Fund Interest Units of that Reference Fund are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Fund Interest Units of that Reference Fund become legally prohibited from transferring or redeeming them.

“**Fund Insolvency Event**” means, in respect of any Fund Interest Unit, that the related Reference Fund (i) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (ii) makes a general assignment or arrangement with or for the benefit of its creditors; (iii) (A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (iv) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (v) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within fifteen days thereafter; or (vi) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (v) through (vi) above.

“**Fund Modification**” means (i) any change or modification of the related Fund Documents that could reasonably be expected to affect the value of such Fund Interest or the rights or remedies of any holders thereof, in each case, as determined by the Calculation Agent, or (ii) the Reference Fund Investment Manager imposes fees or dealing rules that increase the effective dealing costs relating to any Reference Fund.

“**Strategy Breach**” means any breach or violation of any strategy or investment guidelines stated in the related Fund Documents that is reasonably likely to affect the value of such Fund Interest or the rights or remedies of any holders thereof, in each case, as determined by the Calculation Agent.

“Regulatory Action” means, with respect to any Fund Interest Unit, (i) cancellation, suspension or revocation of the registration or approval of such Fund Interest Unit or the related Reference Fund by any governmental, legal or regulatory entity with authority over such Fund Interest Unit or Reference Fund, (ii) any change in the legal, tax, accounting, or regulatory treatments of the relevant Reference Fund that is reasonably likely to have an adverse impact on the value of such Fund Interest Unit or on any investor therein (as determined by the Calculation Agent), or (iii) the related Reference Fund or its Fund Investment Manager becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of such Reference Fund or Fund Investment Manager.

“Reporting Disruption” means, in respect of any Fund Interest Unit, the occurrence of any event affecting such Fund Interest Unit that, in the determination of the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the value of such Fund Interest Unit, and such event is expected to continue for the foreseeable future.

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of any Reference Fund, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate (including substitution of any affected Reference Fund). Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.

For the avoidance of doubt, if the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Agent could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Extraordinary Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 8.

8.7.5. Commodity or Basket of Commodities

8.7.5.1. Definitions

Commodity:	Means the Commodity specified as such in the relevant Final Terms.
Commodity Basket:	Means a basket of Commodities as specified in the relevant Final Terms.
i:	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Commodity in the Commodity Basket separately.
w:	Means the weight of a certain Commodity in the Commodity Basket.
Initial Price:	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the price of the relevant Commodity on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Commodity or Commodity Basket as of the Valuation Time on each Initial Averaging Date.
Final Price:	Means the price of the relevant Commodity at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Commodity or Commodity Basket as of the

Valuation Time on each Averaging Date.

Initial Valuation Date:	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Commodity Business Day in respect of the relevant Commodity, the Initial Price of such Commodity shall be determined on the basis of the price of such Commodity as calculated on the immediately following Commodity Business Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
Valuation Date:	Means any date specified as such in the relevant Final Terms, and if such date is not a Commodity Business Day in respect of the relevant Commodity, the Final Price of such Commodity shall be determined on the basis of the Relevant Price of such Commodity as calculated on the immediately following Commodity Business Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date.
Relevant Price	Means the price of the relevant Commodity determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.
Commodity Business Day:	Means for the relevant Commodity a day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which the relevant Exchange is open for trading during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled closing time.
Exchange:	Means the exchange or principal trading market specified in the relevant Final Terms.

8.7.5.2. Market Disruption

“**Market Disruption Event**” means any of (i) Price Source Disruption, (ii) Trading Disruption, (iii) Disappearance of Commodity, (iv) Material Change in Formula, (v) Material Change in Content or (vi) Tax Disruption, as defined below, except that for a Commodity that is Bullion, (iv) Material Change in Formula and (v) Material Change in Content will not apply.

“**Price Source Disruption**” means (A) the failure of the Price Source to announce or publish the price (or the information necessary for determining the price) for the relevant Commodity; or (B) the temporary or permanent discontinuance or unavailability of the Price Source.

“**Trading Disruption**” means the material suspension of, or the material limitation imposed on, trading in the futures contract on the Commodity or the Commodity on the Exchange. For these purposes:

a suspension of the trading in the futures contract on the Commodity or the Commodity on any Commodity Business Day shall be deemed to be material only if:

all trading in the futures contract on the Commodity or the Commodity is suspended for the entire day; or

all trading in the futures contract on the Commodity or the Commodity is suspended subsequent to the opening of trading on that day, trading does not recommence prior to the regularly scheduled close of trading in such futures contract on the Commodity or Commodity on such day and such suspension is announced less than one hour preceding its commencement; and

a limitation of trading in the futures contract on the Commodity or the Commodity on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the futures contract on the Commodity or the Commodity may fluctuate and the closing or settlement price of the futures contract on the Commodity or the Commodity on such day is at the upper or lower limit of that range.

“**Disappearance of Commodity**” means:

the permanent discontinuation of trading, in the relevant futures contract on the Commodity; or

the disappearance of, or of trading in, the relevant Commodity; or

the disappearance or permanent discontinuance or unavailability of a price for the Commodity, notwithstanding the availability of the related Price Source or the status of trading in the relevant futures contract on the Commodity or the relevant Commodity.

“**Material Change in Formula**” means the occurrence of a material change in the formula for or the method of calculating the relevant price of the Commodity.

“**Material Change in Content**” means the occurrence of a material change in the content, composition or constitution of the Commodity or relevant futures contract on the Commodity.

“**Tax Disruption**” means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Commodity (other than a tax on, or measured by reference to overall gross or net income) by any government or taxation authority, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal.

“**Bullion**” means Gold, Silver, Platinum or Palladium, as the case may be.

In case a Market Disruption Event occurs the Calculation Agent will determine in good faith and in a commercially reasonable manner the Final Price of the relevant Commodity (or a method for determining the Final Price of the relevant Commodity).

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 8.

8.7.6. Commodity Index or Basket of Commodity Indices

8.7.6.1. Definitions

Commodity Index:	Means the Commodity Index specified as such in the relevant Final Terms.
Commodity Index Basket:	Means a basket of Commodities Indices as specified in the relevant Final Terms.
i:	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Commodity Index in the Commodity Index Basket separately.
w:	Means the weight of a certain Commodity Index in the Commodity Index Basket.
Initial Price:	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the level of the relevant Commodity Index or Basket on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the levels of the relevant Commodity Index or Commodity Index Basket as of the Valuation Time on each Initial Averaging Date.

Final Price:	Means the level of the relevant Commodity Index at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the levels of the relevant Commodity Index or Commodity Index Basket as of the Valuation Time on each Averaging Date.
Initial Valuation Date:	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Publication Day in respect of the relevant Commodity Index, the Initial Price of such Commodity Index shall be determined on the basis of the price of such Commodity Index as calculated on the immediately following Scheduled Publication Day, subject to the occurrence of any Commodity Index Event, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
Valuation Date:	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Publication Day in respect of the relevant Commodity Index, the Final Price of such Commodity Index shall be determined on the basis of the Relevant Price of such Commodity Index as calculated on the immediately following Scheduled Publication Day, subject to the occurrence of any Commodity Index Event, or, if Averaging is specified as applicable, means the final Averaging Date.
Relevant Price	Means the level of the relevant Commodity Index or Commodity Index Basket determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.
Scheduled Publication Day:	Means any day on which the Commodity Index Sponsor is scheduled to publish the level of the relevant Commodity Index.
Commodity Index Sponsor:	Means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Commodity Index and (b) announces (directly or through an agent) the level of the Commodity Index on a regular basis.

8.7.6.2. Commodity Index Event

If, in the opinion of the Calculation Agent, any Commodity Index is modified by the Commodity Index Sponsor, cancelled by the Commodity Index Sponsor, replaced by a successor commodity index or remains unpublished by the Commodity Index Sponsor, or if, in the opinion of the Calculation Agent, a Commodity Index Market Disruption Event occurs (any of the above events, a “Commodity Index Event”), the Calculation Agent shall determine in its sole discretion, but in good faith and in a commercially reasonable manner, how such Commodity Index Event affects the Notes and what its consequences should be.

For the avoidance of doubt, if the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Commodity Index Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 8.

A “**Commodity Index Market Disruption Event**” means any of (a) the termination or suspension of, or material limitation or disruption in, the trading of any exchange-traded futures contract included in a relevant Commodity Index, and (b) the settlement price of any such contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day’s settlement price, or (c) the exchange fails to publish official settlement prices for any such contract.

8.7.7. Inflation Index

8.7.7.1. Definitions

Index:	Means the index specified as such in the relevant Final Terms.
Initial Index:	Means the level of the index determined by the Calculation Agent in accordance with the relevant Final Terms.
Final Index:	Means the level of the index determined by the Calculation Agent in accordance with the relevant Final Terms.
Index Sponsor:	Means the sponsor of the Index as specified in the Final Terms.
Reference Month:	Means the calendar month for which the level of the Index was reported, regardless of when this information is published or announced.

8.7.7.2. Events affecting the Index

(i) Delay of Publication

If any level of the Index for a Reference Month has not been published or announced by the day that is five Business Days prior to the next Interest Payment Date, the Calculation Agent may either determine the level of the Index based on its own calculations or make any adjustment to the Notes as it may deem appropriate.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with Condition 8.17 (*Notices*), that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

(ii) Cessation of Publication

If a level for the Index has not been published or announced for two consecutive months or the Index Sponsor announces that it will no longer continue to publish or announce the Index then the Calculation Agent may determine a successor Index or make any adjustment to the Notes as it may deem appropriate.

If the Calculation Agent determines that no appropriate successor Index exists, or that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with Condition 8.17 (*Notices*), that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

(iii) Rebasing of the Index

If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased will be used for purposes of determining the level of the Index from the date of such rebasing; provided, however, that the Calculation Agent may make such adjustments to the Notes as it may deem appropriate.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with Condition 8.17 (*Notices*), that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

(iv) Material Modification

If, on or prior to the day that is five Business Days before an Interest Payment Date, the Index Sponsor announces that it will make a material change to the Index, then the Calculation Agent may make any such adjustment to the Index or to the Notes as it may deem appropriate.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in

accordance with Condition 8.17 (*Notices*), that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 8.

8.8. Rounding

For the purposes of any calculations required pursuant to these Terms and Conditions (unless otherwise specified in the relevant Final Terms), (i) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), and (ii) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes “unit” means, the lowest amount of such currency that is available as legal tender in the country of such currency.

8.9. Status of the Notes

The Notes are senior notes and the payments of principal and interest relating to them are direct, unconditional and unsecured obligations of the Issuer and rank at all times *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer as referred under Article 389/1, 1° of the law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms (senior preferred obligations), present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights. Senior preferred obligations have a higher priority ranking than the so-called non-preferred obligations that are defined under Article 389/1, 2°.

On 31 July 2017, Belgium adopted a legislation establishing a new category of debt securities available to credit institutions. The law provides for a new Article 389/1 into the Law of April 25, 2014 on the status and supervision of credit institutions (the “**Belgian Banking Law**”). In particular, Article 389/1 aims at increasing the effectiveness of the bail-in tool and introduces a new category of claims in the statutory creditor hierarchy in the case of a liquidation procedure (*procédure de liquidation/liquidatieprocedure*) of a credit institution. Article 389/1, 2° of the Belgian Banking Law now divides senior notes into: (i) senior preferred notes, retaining the same ranking as the previous senior notes; and (ii) senior non-preferred notes. Senior non-preferred notes are direct, unconditional, senior, and unsecured (*chirographaires/chirografair*) obligations. In the case of liquidation, they will rank senior to subordinated notes but junior to both ordinary senior preferred notes and to claims benefiting from legal or statutory preferences. Furthermore, senior non-preferred notes must have the following characteristics: they may not contain embedded derivatives or be derivatives themselves (it being understood that floating rate debt instruments which are derived from a commonly used reference rate and debt instruments which are not denominated in the national currency of the issuer, provided that principal, repayment and interest are denominated in the same currency, may not solely on the basis of these characteristics be considered as debt instruments containing embedded derivatives); their maturity may not be less than one year; and their terms must expressly provide that the claim is unsecured (*chirographaire/chirografair*) and that their ranking is as set forth in Article 389/1, 2° of the Belgian Banking Law.

8.10. Clearing Systems

The clearing systems operated by Euroclear Bank SA/NV (“**Euroclear**”), Clearstream Banking SA (“**Clearstream, Luxembourg**”), the BNB system, and such other clearing system as may be agreed between the Issuer and the Fiscal Agent or Domiciliary Agent and as specified in the relevant Final Terms.

8.11. Events of Default

In any of the following events (“Events of Default”) any Noteholder may by written notice to the Issuer and, in the case of Belfius Financing Company Notes, the Guarantor at its or their specified office declare his Note or Notes immediately due and payable with the following consequences (unless, such Event of Default shall have been remedied prior to the receipt of such notice):

- (a) if default is made by the Issuer for a period of 30 calendar days or more in the payment of interest on the Notes when and as the same shall become due and payable; or
- (b) in the event of default by the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor, as the case may be, in the due performance of any other obligation under the terms and conditions of the Notes, unless remedied within 45 days after receipt of a written notice thereof given by any Noteholder; or
- (c) in the event of a merger, consolidation or other reorganisation of the Issuer or, as applicable, the Guarantor with, or a sale or other transfer by the Issuer or, as applicable, the Guarantor of all or a substantial part of its assets to, any other incorporated or unincorporated person or legal entity, unless, in each case not involving or arising out of insolvency, the person or entity surviving such merger, consolidation or other reorganisation or to which such assets shall have been sold or transferred shall have assumed expressly and effectively or by law all obligations of the Issuer or, as applicable, the Guarantor, as the case may be, with respect to the Notes and, the interests of the holders of Notes are not materially prejudiced thereby; or
- (d) in the event that the Issuer or, as applicable, the Guarantor is adjudicated bankrupt or insolvent, or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of its creditors, or enters into a composition with its creditors, or applies for a moratorium, or institutes or has instituted any proceedings under any applicable bankruptcy law, insolvency law, composition law or any law governing the appointment of a receiver, administrator, trustee or other similar official for the whole or any substantial part of its assets or property or any other similar law, or in the event that any such proceedings are instituted against the Issuer or, as applicable, the Guarantor and remain undismissed for a period of 30 days, or
- (e) if, for any reason, the relevant Guarantee ceases to be in full force and effect.

Notice of any Event of Default shall be given to the Noteholders in accordance with Condition 8.17. Notices.

8.12. Modifications of the Agency Agreement

The Issuer and, as applicable, the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

8.13. Responsibility of the Calculation Agent

All calculations shall be made in a commercially reasonable manner. The Calculation Agent shall have no responsibility to Noteholders for good faith errors or omissions in its calculations (without limitation, errors or omissions due to events which are not under the direct control of the Calculation Agent) and determinations as provided in the Terms and Conditions, except for those resulting from the gross negligence or wilful misconduct of the Calculation Agent. The calculations and determinations of the Calculation Agent shall be made in accordance with the Terms and Conditions (having regard in each case to the criteria stipulated herein and where relevant on the basis of information provided to or obtained by employees or officers of the Calculation Agent responsible for making the relevant calculation or determination) and shall, in the absence of manifest error, be final, conclusive and binding on the Issuer and the Noteholders. The Calculation Agent acts solely as agent of the Issuer and does not assume any obligations or duty to, or any relationship of agency or trust for or with, the

Noteholders. The Calculation Agent will make its determinations in a reasonable manner, taking into account the Terms and Conditions. The Calculation Agent will not act in an entirely discretionary manner, but will instead act in a reasonable manner, taking into account market practices and the economics of the product represented by the Notes.

8.14. Prescription

Claims against the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor for payment in respect of any Note shall be prescribed in accordance with Article 2262 and following of the Belgian Civil Code and become void unless made within five years from the date on which such payment first becomes due (in respect of interest) and within ten years from the date on which such payment become due (in respect of capital).

8.15. Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note is due (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor shall only constitute a discharge to the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, the Issuer, failing whom, in the case of Belfius Financing Company Notes, the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom, in the case of Belfius Financing Company Notes, the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and, in the case of Belfius Financing Company Notes, the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

8.16. Substitution

- (i) In case of dissolution, liquidation, reconstruction, merger, amalgamation or any other kind of reorganization, the Issuer and, in the case of Belfius Financing Company Notes, the Guarantor may, without any further consent or co-operation from the Noteholders, at any time, procure that any affiliated or associated corporation of the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor is substituted for the Issuer as the debtor under the Terms and Conditions to be offered by assigning all its rights and obligations to such other corporation (the "**Substituted Issuer**"). For the avoidance of doubt, any other kind of reorganization to which reference is made in the preceding sentence, also encompasses the situation where the Guarantor decides, based on a decision of the Board of Directors of Belfius Bank, to substitute itself for Belfius Financing Company. The Substituted Issuer has to have a long-term debt rating of at least the same level as the one of the Issuer at the time of substitution, if any, and provided that:
 - (a) no payment of any Redemption Amount or of interest on any Note is overdue and no other circumstances exist capable of causing the acceleration or redemption of the Notes;
 - (b) the Substituted Issuer shall agree to indemnify the holders of each Note against: all tax, duty, fee or governmental charge which is imposed on such holder by the jurisdiction of the country of the

Substituted Issuer's residence for tax purposes and, if different, of its incorporation or any political subdivision or taxing authority thereof or therein with respect to such Note and which would not have been so imposed had such substitution not been made; and any costs or expenses incurred in connection with any such substitution; and

- (c) in the case of Belfius Financing Company Notes, the Guarantor agrees on the provisions of such substitution as described herein, undertakes that the provisions in the Guarantee with respect to the relevant Issuer will apply to the Substituted Issuer in the event of such substitution and shall be bound by all the obligations to be fulfilled by it under the Guarantee and the Terms and Conditions of the Notes as a result of such substitution and such obligations shall be legal, valid and enforceable; if the Issuer is substituted by the Guarantor, there is no requirement for an additional and separate guarantee of the obligations under the Notes.
- (ii) The Issuer hereby irrevocably and unconditionally guarantees that the Substituted Issuer shall pay all amounts of Redemption Amount of and interest on the Notes when due. In the event of substitution, this guarantee ceasing to be the valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, shall constitute an Event of Default.
- (iii) In the event of substitution all references in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substituted Issuer and the references in Condition 8.19 (*Taxation*) to Luxembourg shall be deemed to be to the country where the Substituted Debtor has its domicile or tax residence.
- (iv) The Substituted Issuer obtains all necessary governmental and regulatory approvals and consents.
- (v) Any potential compensation due by Belfius shall be limited to the net incremental tax cost borne by the investor. For example, if a withholding tax would become due further to the Substitution, but this withholding tax comes in lieu of a taxation (at the same tax rate) otherwise due further to an obligation to report (part of) the income in the personal income tax return, then no additional compensation is due (on this part). Similarly, no compensation is due if i) the investor is entitled to a tax credit for this withholding tax through the tax return or ii) for the part of the withholding tax for which the investor is entitled to claim a reduction based on the applicable income tax treaty.

Notice of any substitution shall be given to the Noteholders in accordance with Condition 8.17 (*Notices*).

8.17. Notices

All notices to holders of Notes (including notices to convene a meeting of Noteholders) will be deemed to have been validly given if given through the X/N Clearing System (in case of Belfius Bank Notes and certain Belfius Financing Company Notes) or the systems of Euroclear and Clearstream Luxembourg in accordance with the procedures of the relevant clearing system and, if mandatorily applicable, the relevant company law rules.

The Notes being held in a securities account, all notices to the Noteholders shall be validly given by a direct notification, in the case of Belfius Financing Company Notes from the Paying Agent to the Noteholders and, in the case of Belfius Bank Notes from Belfius Bank to the Noteholders, each time as the Issuer in his discretionary opinion shall deem necessary to give fair and reasonable notice to the Noteholders.

Any such notice shall be deemed to have been given on the date immediately following the date of notification from the Paying Agent in case of Belfius Financing Company Notes, and from Belfius Bank in case of Belfius Bank Notes.

8.18. Meeting of Noteholders

8.18.1. Definitions

1. references to a meeting are to a meeting of Noteholders of a single Series of Notes and include, unless the context otherwise requires, any adjournment
2. references to “**Notes**” and “**Noteholders**” are only to the Notes of the Series in respect of which a meeting has been, or is to be, called and to the holders of those Notes, respectively
3. “**agent**” means a holder of a voting certificate or a proxy for, or representative of, a Noteholder
4. “**block voting instruction**” means an instruction issued in accordance with clause 8.18.4. paragraphs 4 to 8
5. “**Extraordinary Resolution**” means a resolution passed at a meeting duly convened and held in accordance with this Agreement by a majority of at least 75 per cent of the votes cast
6. “**voting certificate**” means a certificate issued in accordance with clause 8.18.4 paragraphs 1, 2, and 3 and
7. references to persons representing a proportion of the Notes are to Noteholders or agents holding or representing in the aggregate at least that proportion in principal amount of the Notes for the time being outstanding.

8.18.2. Powers of meetings

A meeting shall, subject to the Terms and Conditions and without prejudice to any powers conferred on other persons by the Agency Agreement, have power by Extraordinary Resolution:

1. to sanction any proposal by the relevant Issuer or the Guarantor or any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer or the Guarantor, whether or not those rights arise under the Notes
2. to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other entity
3. to assent to any modification of the Agency Agreement, the Notes proposed by the Issuer, the Guarantor, the Fiscal Agent or the Domiciliary Agent
4. to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution
5. to give any authority, direction or sanction required to be given by Extraordinary Resolution
6. to appoint any persons (whether Noteholders or not) as a committee or committees to represent the Noteholders’ interests and to confer on them any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution and
7. to approve the substitution of any entity for the relevant Issuer or the Guarantor (or any previous substitute) as principal debtor or guarantor in circumstances not provided for in the Terms and Conditions
8. provided that the special quorum provisions in clause 8.18.7. paragraph 4 shall apply to any Extraordinary Resolution (a “special quorum resolution”) for the purpose of sub-paragraph 2.2 or 2.7.

8.18.3. Convening a meeting

1. The relevant Issuer or the Guarantor may at any time convene a meeting. If it receives a written request by Noteholders holding at least 10 per cent in principal amount of the Notes of any Series for the time being outstanding and is indemnified to its satisfaction against all costs and expenses, the Issuer shall convene a meeting of the Noteholders of that Series. The meeting shall be held at a time and place as determined by the

Issuer or, where applicable, the Guarantor, subject to, in the case of Belfius Financing Company Notes, approval by the Fiscal Agent or the Domiciliary Agent.

2. At least 21 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Noteholders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day, time and place of meeting and the nature of the resolutions to be proposed and shall explain how Noteholders may appoint proxies or representatives, obtain voting certificates and use block voting instructions and the details of the time limits applicable.

8.18.4. Arrangements for voting

1. If a Noteholder Note wishes to obtain a voting certificate in respect of it for a meeting, he must notify the Paying Agent at least 48 hours before the time fixed for the meeting. The Paying Agent shall then issue a voting certificate in respect of it.

2. A voting certificate shall:

- be a document in the English language;
- be dated;
- specify the meeting concerned and the serial numbers of the Notes and
- entitle, and state that it entitles, its bearer to attend and vote at that meeting in respect of those Notes.

3. Once a Paying Agent has issued a voting certificate for a meeting in respect of a Note, it shall not release the Note until either:

- the meeting has been concluded or
- the voting certificate has been surrendered to the Paying Agent.

4. If a Noteholder wishes the votes attributable to it to be included in a block voting instruction for a meeting, then, at least 48 hours before the time fixed for the meeting, (i) he must notify for that purpose the Paying Agent and (ii) he or a duly authorised person on his behalf must direct the Paying Agent how those votes are to be cast. The Paying Agent shall issue a block voting instruction in respect of the votes attributable to all Notes for which it has received such notification.

5. A block voting instruction shall:

- be a document in the English language
- be dated
- specify the meeting concerned
- list the total number and serial numbers of the Notes, distinguishing with regard to each resolution between those voting for and those voting against it
- certify that such list is in accordance with directions received as provided in paragraphs 8, 10 and 13 and
- appoint a named person (a "proxy") to vote at that meeting in respect of those Notes and in accordance with that list. A proxy need not be a Noteholder.

6. Once a Paying Agent has issued a block voting instruction for a meeting in respect of the votes attributable to any Notes the directions to which it gives effect may not be revoked or altered during the 48 hours before the time fixed for the meeting.

7. Each block voting instruction shall be deposited at least 24 hours before the time fixed for the meeting at the specified office of the relevant Issuer or the Guarantor or such other place as the Issuer shall designate or approve, and in default it shall not be valid unless the chairman of the meeting decides otherwise before the

meeting proceeds to business. If the Issuer requires, a notarial certified copy of each block voting instruction shall be produced by the proxy at the meeting but the Issuer need not investigate or be concerned with the validity of the proxy’s appointment.

8. A vote cast in accordance with a block voting instruction shall be valid even if it or any of the Noteholders’ instructions pursuant to which it was executed has previously been revoked or amended, unless written intimation of such revocation or amendment is received from the relevant Issuer by the chairman of the meeting in each case at least 24 hours before the time fixed for the meeting.

9. No instructions may be giving by the Noteholder to the Paying Agent at the same time for the purposes of both paragraph 5 and paragraph 8 for the same meeting.

8.18.5. Chairman

The chairman of a meeting shall be such person as the Issuer may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Noteholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman. The chairman need not be a Noteholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

8.18.6. Attendance

The following may attend and speak at a meeting:

- 1. Noteholders and agents
- 2. the chairman
- 3. the Issuer, the Guarantor and the Fiscal Agent or Domiciliary Agent as applicable (through their respective representatives) and their respective financial and legal advisers.

8.18.7. Quorum and Adjournment

1. No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Noteholders, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.

2. Two or more Noteholders or agents present in person shall be a quorum :

(i) in the cases marked “No minimum proportion” in the table below, whatever the proportion of the Notes which they represent.

(ii) in any other case, only if they represent the proportion of the Notes shown by the table below.

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
Purpose of Meeting	Any meeting except one referred to in column 3	Meeting previously once adjourned through want of a quorum	Meeting previously twice adjourned through want of a quorum
	Required proportion	Required Proportion	Required Proportion
To pass a special quorum resolution	two thirds of the principal amount of the Notes	one third of the principal amount of the Notes	No minimum proportion
To pass any other	A clear majority of the	No minimum proportion	No minimum proportion

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
Extraordinary Resolution	principal amount of the Notes		
Any other purpose	10 per cent of the principal amount of the Notes	No minimum proportion	No minimum proportion

3. The chairman may (and shall if directed by a meeting) adjourn the meeting “from time to time and from place to place”. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this clause.

4. At least 10 days’ notice of a meeting adjourned for want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

8.18.8. Voting

1. Each question submitted to a meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer, the Guarantor or one or more persons representing 2 per cent. of the Notes.

2. Unless a poll is demanded a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.

3. If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.

4. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

5. On a show of hands every person who is present in person and who produces a voting certificate or is a proxy or representative has one vote. On a poll every such person has one vote in respect of each principal amount equal to the minimum denomination of such Series of Notes so produced or represented by the voting certificate so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.

6. In case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

8.18.9. Effect and Publication of an Extraordinary Resolution

An Extraordinary Resolution shall be binding on all the Noteholders, whether or not present at the meeting and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution to Noteholders within 14 days but failure to do so shall not invalidate the resolution.

8.18.10. Minutes

Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

8.19. Taxation

Investors should take into account that the tax aspects of the Notes could differ depending on, amongst others:

1. the Issuer: Belfius Bank or Belfius Financing Company, and
2. the clearing of the Notes: i) Notes issued in the X/N clearing system of the National Bank of Belgium (ISIN codes starting with “BE”, hereafter referred to as “ ‘BE’ Notes”) or, for Notes which are non-eligible for the X/N clearing system, ii) Notes issued outside the X/N clearing system (ISIN codes starting with “XS”, hereafter referred to as “ ‘XC’ Notes”).

Some differences that may be relevant are briefly summarised below:

Interest payments (including any amounts repaid on maturity date in excess of the issue price):

‘BE’ Notes:

- Exempt “X” investors (including but not limited to Belgian companies and non-residents) qualify for a Belgian withholding tax exemption.
- Non-exempt “N” investors (including but not limited to Belgian private persons and entities subject to the Belgian tax on legal entities regime) are subject to a Belgian withholding tax of currently 30%.

‘XS’ Notes:

- Interest payments on Notes issued by Belfius Financing Company are not subject to Luxembourg withholding tax. A Belgian withholding tax of currently 30% will be borne by a.o. Belgian private investors who hold their notes on a Belgian bank account; if not they are obliged to spontaneously declare the related interest income in their Belgian personal income tax return.
- Interest payments on Notes issued by Belfius Bank are subject to a 30% Belgian withholding tax. Certain investors may be able to recover, in full or in part, the Belgian withholding tax, e.g. through their tax return or by filing a request for reclaim with the Belgian tax authorities based on the applicable double tax treaty.

Taxation upon sale of the Notes on the secondary market:

‘BE’ Notes:

- Notes issued in the X/N clearing system: non-exempt “N” investors will be subject to a Belgian withholding tax of currently 30% on the pro rata interest amount. The residual capital gain is tax exempt.

‘XS’ Notes:

- Notes issued by Belfius Financing Company: no withholding is levied upon sale of the Notes to Belfius Bank. However, Belgian private investors will need to spontaneously declare the corresponding taxable interest amount in their personal income tax return.
- Notes issued by Belfius Bank: if the Notes are sold to Belfius Bank, the positive difference between the redemption price and the initial issue price will be subject to a Belgian withholding tax of currently 30%. Certain investors may be able to recover, in full or in part, the Belgian withholding tax, e.g. through their tax return or by filing a request for reclaim with the Belgian tax authorities based on the applicable double tax treaty.

In any event, investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding, selling or converting the Notes issued by Belfius Bank and/or Belfius Financing Company under the laws of their countries of citizenship, residence, ordinary residence or domicile, for reasons that, among others, the tax legislation of the investor’s Member State and of the Issuer’s country of incorporation may have an impact on the income received from the securities.

8.20. Governing Law and Jurisdiction

8.20.1. Governing law

The Notes and the Guarantee are governed by Belgian law.

The Agency Agreement is (or would be, once established) governed by Luxembourg law with respect of Bearer Notes and by Belgian law with respect of Dematerialized Notes.

8.20.2. Jurisdiction

All disputes arising out of or in connection with the Notes or the Guarantee shall be submitted to the jurisdiction of the competent courts in Belgium.

8.21. Acknowledgment and Consent of the Bail-in Power with regards to the Guarantee

Under the Guarantee, the Guarantor has guaranteed the obligations owed by the Issuer to the Noteholders. In the case of application of the Bail-in Power to the Notes or to liabilities of the Guarantor, the amounts due under the Guarantee may be correspondingly reduced. Each Noteholder (which includes any current or future holder of a beneficial interest in the Notes) hereby acknowledges and agrees the Guarantee may be subject to the Bail-in Power by the Resolution Authority and acknowledges and accepts to be bound by (i) the variation of the terms and conditions of the Notes, as deemed necessary by the Resolution Authority, to give effect to the exercise of any Bail-in Power by the Resolution Authority and (ii) the effect of the exercise of the Bail-in Power by the relevant Resolution Authority. For the avoidance of doubt, as a result of the foregoing, the Bail-in Power, if applied to the Notes or to liabilities of the Guarantor, could effectively limit the extent of a recovery under the Guarantee.

In this Condition,

“**Bail-in Power**” means any statutory write-down and/or conversion power existing from time to time under any laws, regulations (including delegated or implementing measures such regulatory technical standards), requirements, guidelines, rules, standards and policies relating to the resolution of credit institutions, investment firms and their parent undertakings, and minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the Kingdom of Belgium, the NBB (or any successor or replacement entity having primary responsibility for the prudential oversight and supervision of the Issuer), the Resolution Authority, the Financial Stability Board and/or of the European Parliament or of the Council of the European Union then in effect in the Kingdom of Belgium, pursuant to which obligations of the Issuer or Guarantor can be cancelled, written down and/or converted into shares, securities or obligations of the Issuer or Guarantor, or any other person.

8.22. Acknowledgment and Consent of the Bail-in Power with regards to the Notes

Each Noteholder (which includes any current or future holder of a beneficial interest in the Notes) acknowledges and accepts that any liability arising under the Notes may be subject to the Bail-in Power by the Resolution Authority and acknowledges and accepts to be bound by (i) the variation of the terms and conditions of the Notes, as deemed necessary by the Resolution Authority, to give effect to the exercise of any Bail-in Power by the Resolution Authority and (ii) the effect of the exercise of the Bail-in Power by the relevant Resolution Authority. Such exercise may, among others, include and result in any of the following, or a combination thereof:

(i) all, or part of the Relevant Amounts in respect of the Notes being reduced or cancelled;

(ii) all or part of the Relevant Amounts in respect of the Notes being converted into shares, other securities or other obligations of the Issuer or another person and such shares, securities or obligations being issued to or conferred on the Noteholder, including by means of a variation, modification or amendment of the terms and conditions of the Notes;

(iii) the Notes or the Relevant Amount in respect of the Notes being cancelled; and

(iv) the maturity of the Notes being amended or altered, or the amount of interest payable on the notes, or date on which interest becomes payable; including by suspending payment for a temporary period being amended.

In this Condition,

“**Bail-in Power**” has the same meaning as provided under 8.21.

“**Relevant Amounts**” means the principal amount of, and/or interest on, the Notes. These amounts include amounts that have become due and payable but which have prior to the exercise of the Bail-in Power by the Resolution Authority not yet been paid.

8.23. Financial Service

The financial service will be performed by Belfius Bank (in Belgium) and BIL (in Luxembourg).

8.24. Representation of Noteholders

There is no representation of the holders of the Notes in relation to any offer of Notes.

8.25. Guarantee

The section below only applies to Belfius Financing Company Notes.

The Guarantor has, by a senior preferred guarantee (the “Guarantee”, see Annex 2), unconditionally and irrevocably guaranteed on a senior preferred unsubordinated basis the due and punctual payment of the principal of and interest on the Notes as well as of any additional amounts which may be required to be paid by Belfius Financing Company (as described under *Condition 8.19. Taxation*) subject to the exercise by the resolution authority of the “bail-in” resolution tool, which may apply to the guarantee.

The obligations of the Guarantor under the Guarantee are direct, unconditional and unsecured obligations of the Guarantor and rank *pari passu* with all other outstanding unsecured and senior preferred obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights.

9. TERMS AND CONDITIONS OF THE OFFER

(Annex 14.5 of Commission delegated regulation (EU) 2019/980)

The Notes will be offered for subscription during the Offering Period (specified in the relevant Final Terms) at the relevant Issue Price. Any applicable fees or commissions will be specified in the relevant Final Terms. The Issuer has the right to cancel any issue of Notes under the Programme during their Offering Period until the fifth Business Day before their Issue Date, either (i) when it reasonably believes that investors will not subscribe to the offer for an amount of at least the Minimum Amount specified in the relevant Final Terms or (ii) in case it considers there is a material adverse change in market conditions. Investors that have subscribed to these Notes will be notified pursuant to Condition 8.17. of such cancellation. The Issuer has the right to anticipatively terminate the Offering Period if the Maximum Amount of the relevant Notes issue has been reached or if the market conditions adversely affect the interest or the redemption amounts to be paid by the Issuer.

The cash account of the Noteholder will be debited on the Issue Date. At the same date, the Notes will be transferred on the securities accounts of the Noteholders.

If Notes are deposited in a securities account with Belfius Bank, Belfius Bank will not charge any fees for this service, nor for the opening of such securities account. If a Noteholder chooses to deposit his or her securities with another financial institution, he or she must inquire the fees charged by this institution.

The Notes have not been offered or sold and will not be offered or sold directly or indirectly and this Base Prospectus has not been distributed and will not be distributed, except in such circumstances that will result in compliance with all applicable laws and regulations.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements and, subject to certain exceptions, Notes may not be offered, sold or delivered within the United States of America, including its territories and possessions, or to U.S. persons.

The Notes have not been offered, sold or delivered and will not be offered, sold or delivered, as part of their distribution at any time, or otherwise until 40 days after the commencement of the offering within the United States or to, or for the account or the benefit of, U.S. persons and a dealer to which the Notes are sold during the restricted period, will receive a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the U.S. or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering, an offer or sale of Notes within the U.S. by a dealer that is not participating in the offering may violate the registration requirements imposed by the U.S. Securities Act of 1933, as amended.

Any document connected with the issue of the Notes has only been issued or passed on and will only be issued and passed on in the United Kingdom to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “UK FSMA”) in connection with the issue or sale of any Notes, has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the UK FSMA does not apply to the Issuer and all applicable provisions of the UK FSMA with respect to anything done in relation to such Notes in, from or otherwise involving the United Kingdom have been complied with and will be complied with.

10. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

(Annex 14.6 of Commission delegated regulation (EU) 2019/980)

The Notes will not be the subject of an application for admission to trading on a regulated or non-regulated market, nor have any Notes previously issued under the Notes Issuance Programme ever been the subject of an application for admission to trading on a regulated market or equivalent market.

If liquidity is provided to be “Applicable” in the relevant Final Terms for any Notes, the price of the Notes is available on demand in the offices of Belfius Bank or on the website www.belfius.be, and this on each Business Day during the term of such Notes in every office of Belfius Bank until 28 calendar days preceding their Maturity Date and 56 calendar days for equity linked notes, unless in Belfius Bank’s determination, market conditions preclude it from quoting a price. If Belfius Bank quotes a price, it can be considered market maker for the Notes and will organise the secondary market, thereby providing liquidity through bid and offer rates. The main terms of the commitment of Belfius Bank will be specified in the relevant Final Terms and (i) “**Maximum Spread**” means on any given moment the maximum spread between the then applicable bid and offer rates; (ii) “**Maximum Commission**” means the maximum commission on the bid and offer rates; and (iii) “**Maximum Exit Penalty**” means the maximum exit penalty applicable to the nominal amount of the Notes. The bid and offer rates of the Notes on any given moment are subject to the market conditions, interest rates, forward rates; credit spreads of the relevant Issuer or, in the case of Belfius Financing Company Notes, the Guarantor, etc.

In case of sale of the Notes before maturity, the sale proceeds can be lower than the invested amount.

11. USE OF PROCEEDS

The net proceeds of Notes, i.e. the Nominal Amount less any expenses and fees, will be used for general corporate purposes of Belfius Bank. If, in respect of any particular issuance, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms. In the case of Belfius Financing Company Notes, the proceeds of the issued notes are fully transferred to Belfius Bank.

12. THIRD PARTY INFORMATION, EXPERT STATEMENTS AND DECLARATIONS

(Annex 6.14 of Commission delegated regulation (EU) 2019/980)

There has not been any statement or report attributed to a person as an expert which is included in this Base Prospectus.

13. DOCUMENTS ON DISPLAY

(Annex 6.14 of Commission delegated regulation (EU) 2019/980)

Copies of the annual reports dated 31 December 2017 and 31 December 2018 for the Issuer and, as applicable, the Guarantor and of all subsequent annual reports to be published, copies of the articles of association of the Issuer and, as applicable, the Guarantor are available free of charge at the office of Belfius Bank and will be available during the entire lifetime of the Notes.

Additionally, the annual reports of Belfius Bank are available on its internet site <https://www.belfius.be/about-us/en/investors/results-reports/reports>, and the annual reports of Belfius Financing Company are available in Annex 5 of this Base Prospectus.

Moreover, copies of the annual reports and semi annual reports of Belfius Bank are available on the Luxembourg Stock Exchange-website: www.bourse.lu.

Annex 1: Template for Final Terms

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[MiFID II PRODUCT GOVERNANCE – Solely for the purposes of the product approval process of each Manufacturer (i.e., each person deemed a manufacturer for purposes of the EU Delegated Directive 2017/593, hereinafter referred to as a “Manufacturer”), the target market assessment in respect of the Notes as of the date hereof has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients [and retail clients] each as defined in Directive 2014/65/EU (as amended, “MiFID II”); (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate; [and (iii) the following channels for distribution of the Notes to retail clients are appropriate – investment advice, portfolio management, non-advised sales and pure execution services – subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable.] Any person subsequently offering, selling or recommending the Notes (a “Distributor”) should take into consideration each Manufacturer’s target market assessment. A distributor subject to MiFID II is, however, responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining a Manufacturer’s target market assessment) and determining appropriate distribution channels.]

Final Terms dated [●]

[Belfius Financing Company SA] [Belfius Bank SA/NV]

Issue of [Title of Notes]
[Guaranteed by Belfius Bank SA/NV]
under the

Belfius Financing Company SA

and

Belfius Bank SA/NV

Notes Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 24 September 2019, which constitutes a base prospectus for the purposes of the Prospectus Regulation (Regulation (EU) 2017/1129) (the “**Prospectus Regulation**”). **This document constitutes the Final Terms of the Notes described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with such Base Prospectus and any supplement thereto.** These Final Terms and the Base Prospectus together constitute the Programme for the Tranche. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for inspection at [the office of the Guarantor,] the office of the Issuer and the website www.belfius.be. A summary of the offer of the Notes is provided in an annex to the Final Terms.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Programme under Article 23 of the Prospectus Regulation.]

- 1 (i) Issuer: [Belfius Bank SA/NV][Belfius Financing Company SA]
- (ii) Guarantor: [N/A][Belfius Bank SA/NV]

	(iii) Calculation Agent:	Belfius Bank SA/NV
2	(i) Series Number:	[●]
	[(ii) Tranche Number:	[●]
		<i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).</i>
3	Specified Currency or Currencies:	[●]
4	Maximum Amount:	
	[(i)]Series:	[●]
	[(ii) Tranche:	[●]]
5	Minimum Amount:	
	[(i)]Series:	[●]
	[(ii) Tranche:	[●]]
6	Offering Period:	[●] (except in case of early closing)
7	Issue Price:	[●] per cent. [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
8	Denominations:	[●]
9	[(i)] Issue Date:	[●]
	[[[(ii)] Interest Commencement Date:	[●]]
10	[Scheduled] Maturity Date:	[●]
11	Interest Basis:	[[[●] per cent. Fixed Rate] [Floating Rate] [Zero Coupon] [Variable Linked Rate] [Not Applicable] (further particulars specified below)
12	Redemption/Payment Basis:	[Redemption at par] [Variable Linked Redemption] (further particulars specified below)
13	Change of Interest or Redemption/Payment Basis:	[Not Applicable/(Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis, including the (mandatory) scheduled dates for any Change of Interest in the case of Fixed to Floating Rate Notes or Floating to Fixed Rate Notes)]
14	Call Options:	[Applicable/Not Applicable] [(further particulars specified below)]
15	Mandatory Early Redemption:	[Applicable/Not Applicable] [(further particulars specified below)]
16	Status of the Notes:	Preferred Senior Notes
17	[Date [Board] approval for issuance of Notes obtained:	[●] (N.B Only relevant where Board (or similar) authorisation is required for the particular Tranche of

		Notes]
18	Form of Notes:	[Bearer Notes/Dematerialised Notes]
19	New Global Note:	Not Applicable
PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE		
20	Fixed Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Fixed Rate:	[●] per cent. per annum
	(ii) Interest Payment Date(s):	[annually/semi-annually/quarterly on ●]
	(iii) Business Days:	[●]
	(iv) Business Day Convention:	[●]
	[(v) Fixed Interest Amount:	[●]]
	[(v)/(vi) Day Count Fraction:	[●]]
	[(v)/(vi)/(vii) Interest Period End Date(s):	[Adjusted/No Adjustment/Other]]
	[(v)/(vi)/(vii)/(viii) Calculation Amount:	[●]]
	[Other terms relating to the method of calculating interest for Fixed Rate Notes:	[●](N.B. Give details)]
21	Floating Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Publication Source:	[EUR-EURIBOR-Reuters (ISDA)/Other]
	(ii) Designated Maturity:	[●]
	(iii) Spread:	[●]
	(iv) Interest Payment Date(s):	[annually/semi-annually/quarterly on ●]
	(v) Day Count Fraction:	[●]
	(vi) Interest Determination Date:	[●]
	(vii) Business Days:	[●]
	(viii) Business Day Convention:	[●]
	(ix) Interest Period End Date(s)	[●] [Adjusted/No Adjustment/Other]
	[(x) Maximum Rate:	[●]]
	[(x)/(xi) Minimum Rate:	[●]]
22	Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	Amortisation Yield:	[●] per cent. per annum
	Business Days:	[●]
	Business Day Convention:	[●]
	Any other formula/basis of determining amount payable:	[●]
23	Variable Linked Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>

- (i) Underlying: [Market Rate/Share/Basket of Shares/Share Index/Basket of Share Indices/Fund/Basket of Funds/Commodity/Basket of Commodities/Commodity Index/Basket of Commodity Indices/Inflation Index]
- (ii) Variable Linked Rate: [●] *(Provide the formula or other method of determination)*
- (iii) Interest Payment Date(s): [●]
- (iv) Business Days: [●]
- (v) Business Day Convention: [●]

PROVISIONS RELATING TO REDEMPTION

- 24 Call Option [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- Optional Redemption Date(s): [●]
- Optional Redemption Period: [●]
- Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Note of [●] Denomination
- [If redeemable in part:] [Applicable/Not Applicable]
- [Minimum Redemption Amount: [●]]
- [Maximum Redemption Amount: [●]]
- Notice period: [●]
- 25 Mandatory Early Redemption [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Trigger Event(s): [●]
- (ii) Mandatory Early Redemption Date(s): [The Interest Payment Date immediately following the occurrence of the Trigger Event(s) as determined by the Calculation Agent. Should the Trigger Event(s) occur on an Interest Payment Date, then the Mandatory Early Redemption Date shall be postponed until the next Interest Payment Date/[●]]
- (iii) Mandatory Early Redemption Amount: [●] per Note of [●] Denomination
- 26 Redemption Amount(s) of each Note [[●] per Note of [●] Denomination] *(delete in case of Variable Linked Redemption)*
- 27 Partial Redemption: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Partial Redemption Date(s) [●]
- (ii) Partial Redemption Amounts: [●]
- (Include below provisions in case of a Variable Linked Redemption)*

Variable Linked Redemption

- (i) Underlying: [Market Rate/Share/Basket of Shares/Share Index/Basket of Share Indices/Fund/Basket of Funds/Commodity/Basket of Commodities/Commodity Index/Basket of

- Commodity Indices/Inflation Index]
- (ii) Variable Linked Redemption Amount: [●] *(Provide the formula or other method of determination)*
- (iii) Business Days: [●]
- (iv) Business Day Convention: [●]
- (v) Initial Averaging: [Not Applicable / Applicable]
- (vi) Averaging: [Not Applicable / Applicable]
- [(vi) Initial Averaging Dates: [●]]
- [(vi) Averaging Dates: [●]]

VARIABLE LINKED PROVISIONS

*(Include the relevant provisions below, if the Underlying is one or more **Market Rates**)*

- (i) Publication Source: [●]
- (ii) Designated Maturity: [●]
- (iii) Spread: [●]
- (iv) Interest Determination Date: [●]
- [(v) Day count Fraction: [●]]

*(Include the relevant provisions below, if the Underlying is a **Share**)*

- (i) Share: [●] *(Insert full title of the Share, its ISIN code and the name of the issuer)*
- (ii) Exchange: [●]
- (iii) Related Exchange: [[●]/All Exchanges]
- (iv) Valuation Date(s): [●]
- [(v) Initial Valuation Date: [●]]
- [(v) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is **Share Basket**)*

- (i) Share Basket:

<i>i</i>	$w_{(i=1)}$	$w_{(i=2)}$...	Share	Exchange	Related Exchange	Securities code
1	[●]%	[●]%	[●]%	[●]	[●]	[●]/All Exchanges	[●]
2	[●]%	[●]%	[●]%	[●]	[●]	[●]/All Exchanges	[●]
...	[●]%	[●]%	[●]%	[●]	[●]	[●]/All Exchanges	[●]

- (ii) Valuation Date(s): [●]
- [(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is a **Share Index**)*

- (i) Index: [●]
- (ii) Exchange: [[●]/Multiple Exchange]
- (iii) Related Exchange: [[●]/All Exchanges]

- (iv) Valuation Date(s): [●]
 [(v) Initial Valuation Date: [●]]
 [(v) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Share Indices**)*

- (i) Index Basket:

<i>i</i>	$w_{(j=1)}$	$w_{(j=2)}$...	Index	Exchange	Related Exchange
1	[●]%	[●]%	[●]%	[●]	[●]/Multiple Exchange	[●]/All Exchanges
2	[●]%	[●]%	[●]%	[●]	[●]/Multiple Exchange	[●]/All Exchanges
...	[●]%	[●]%	[●]%	[●]	[●]/Multiple Exchange	[●]/All Exchanges

- (ii) Valuation Date(s): [●]
 [(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is a **Fund**)*

- (i) Reference Fund: [●] *(Insert full title of the Reference Fund, including its sponsor, the ISIN code, class, if applicable, and a short description)*
 (ii) Valuation Date(s): [●]
 [(iii) Initial Valuation Date: [●]]
 [(iii) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Funds**)*

- (i) Fund Basket:

<i>i</i>	$w_{(j=1)}$	$w_{(j=2)}$...	Reference Fund	Class	Fund Description	Fund Administrator	ISIN Code
1	[●]%	[●]%	[●]%	[●]	[●]	[●]	[●]	[●]
2	[●]%	[●]%	[●]%	[●]	[●]	[●]	[●]	[●]
...	[●]%	[●]%	[●]%	[●]	[●]	[●]	[●]	[●]

- (ii) Valuation Date(s): [●]
 [(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is a **Commodity**)*

- (i) Commodity: [●]
 (ii) Exchange: [●]
 (iii) Price Source: [●]
 (iv) Valuation Time: [●]
 (v) Valuation Date(s): [●]
 [(vi) Initial Valuation Date: [●]]

[(vi) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Commodity**)*

(i) Commodity Basket:

<i>i</i>	$w_{(j=1)}$	$w_{(j=2)}$...	Commodity	Exchange	Price Source	Valuation Time
1	[●]%	[●]%	[●]%	[●]	[●]	[●]	[●]
2	[●]%	[●]%	[●]%	[●]	[●]	[●]	[●]
...	[●]%	[●]%	[●]%	[●]	[●]	[●]	[●]

(ii) Valuation Date(s): [●]

[(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is a **Commodity Index**)*

(i) Commodity Index: [●]

(ii) Valuation Time: [●]

(iii) Valuation Date(s): [●]

[(iv) Initial Valuation Date: [●]]

[(iv) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Commodity Indices**)*

(i) Commodity Index Basket:

<i>i</i>	$w_{(j=1)}$	$w_{(j=2)}$...	Commodity Index	Valuation Time
1	[●]%	[●]%	[●]%	[●]	[●]
2	[●]%	[●]%	[●]%	[●]	[●]
...	[●]%	[●]%	[●]%	[●]	[●]

(ii) Valuation Date(s): [●]

[(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is an **Inflation Index**)*

(i) Index: [●]

[The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.]

(ii) Initial Index: [●]

(iii) Final Index: [●]

(iv) Index Sponsor: [●]

(v) Reference Month: [●]

(include, if applicable, relevant disclaimer with respect to the index sponsor)

[The [indicate relevant index sponsors] (the “Index Sponsors”) and their licensors, research partners or data providers have no relationship with the Issuer [and Guarantor], other than the licensing of the Issuer’s [and/or Guarantor’s] right to insert the

[*name of the applicable index*] and the related trademarks for use in connection with the Notes. “Index Sponsors” shall also refer to the entities belonging to the same corporate group as the Index Sponsors. The Index Sponsors and their licensors, research partners or data providers do not (i) sponsor, endorse, sell or promote the Notes, (ii) recommend that any person invest in the Notes or any other securities, (iii) have any responsibility or liability for or make any decisions regarding the timing, amount or pricing of the Notes, (iv) have any responsibility or liability for the administration, management or marketing of the Notes, (v) consider the needs of the Notes or the owners of the Notes in determining, composing or calculation the [*relevant index*] or have an obligation to do so. The Index Sponsors and their licensors, research partners or data providers give no warranty and exclude any liability (whether in negligence or otherwise) in connection with the Notes and their performance. The Index Sponsors do not assume any contractual relationship with the purchasers of the Notes or any third parties. Specifically (i) The Index Sponsors and their licensors, research partners or data providers do not give any warranty, express or implied, and exclude, in particular, any liability about: (x) the results to be obtained by the Notes, the owner of the Notes or any other person in connection with the use of the [*relevant index*] and the data contained in the [*relevant index*], (y) the accuracy, timeliness, and completeness of the [*relevant index*] and its data; (z) the merchantability and fitness for a particular purpose or use of the [*relevant index*] and its data; (xx) the performance of the Notes generally. The Index Sponsors and their licensors, research partners or data providers give no warranty and exclude any liability, for any errors, omissions or interruptions of in the [*relevant index*] or its data. Under no circumstances will the Index Sponsors or their licensors, research partners or data providers be liable (whether in negligence or otherwise) for any lost profits or indirect, punitive, special or consequential damages or losses, arising as a result of such errors, omissions or interruptions in the [*relevant index*] or its data or generally in relation to the Notes, even in circumstances where the Index Sponsors or their licensors, research partners or data providers are aware that such loss or damage may occur. The licensing agreement between the Issuer [and the Guarantor] and the Index Sponsors is solely

for their benefit and not for the owners of the Notes or any third parties.]

[*other disclaimers to be added as appropriate*]

REASONS FOR THE OFFER

Reasons for the offer:

[●](See “Use of Proceeds” wording in Base Prospectus – if reasons for offer different from general corporate purposes of the Issuer, will need to include those reasons here.)

DISTRIBUTION

Dealer(s):

[Belfius Bank SA/NV/ [●]]

[Selling fees:

[●]] [*To be further completed as appropriate*][1. Fees included in the Issue Price, linked to the structuration and management of the Notes and borne by the investors:

Total commission and concession:

- Upfront fee: [●] % of the subscribed nominal amount of Notes.
- Recurring annual fees: [●] % of the subscribed nominal amount of Notes, i.e. a maximum of [●]% if the Notes are held until the scheduled Maturity Date.

The above mentioned fees are indicative only. These fees may fluctuate either upwards or downwards depending on the market conditions during the Offer Period.

[2. Fees and other costs not included in the Issue Price, and borne by the investors:

Brokerage Fee: [●] % of the subscribed nominal amount of Notes, payable upfront

[Additional selling restrictions:

[●]]

OPERATIONAL INFORMATION

ISIN Code:

[●]

Common Code:

[●]

Clearing System(s):

[●]

Principal Paying Agent:

*[Belfius Bank SA/NV][Banque Internationale à Luxembourg, SA]

Paying Agent:

*[N/A][Belfius Bank SA/NV]

[Relevant Benchmark[s]]

[Not Applicable]/[[specify benchmark] is provided by [*administrator legal name*]. As at the date hereof, [*administrator legal name*][appears]/[does not appear] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators*

and benchmarks) of the Benchmark Regulation.]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the Benchmark Regulation.]

SECONDARY MARKET *(Include this provision if Secondary Market is provided)*

[Applicable]

Maximum Spread: [●]

Maximum Commission: [●]

Maximum Exit Penalty: [●]

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:.....

Duly authorised

[Signed on behalf of the Guarantor:

By:.....

Duly authorised]

Annex 2: Guarantee

A form of the Guarantee is reproduced here below:

BELFIUS FINANCING COMPANY SA
And
BELFIUS BANK SA/NV
Notes Issuance Programme
GUARANTEE
by
Belfius Bank SA/NV
IN RELATION TO NOTES ISSUED BY Belfius Financing Company

[●] 2019

WHEREAS the Board of Directors of Belfius Financing Company S.A. (the “**Issuer**” or “**Belfius Financing Company**”) has decided on 13 September 2019, to update the Notes Issuance Programme (the “**Programme**”) under which it may from time to time issue Notes (the “**Belfius Financing Company Notes**”), which may be linked to various underlyings (the “**Underlying**”), that rank as senior preferred obligations of the Issuer (the “**Belfius Financing Company Notes**”) according to the terms and conditions enumerated in such decision. Belfius Financing Company Notes will be guaranteed by Belfius Bank SA/NV (also named Belfius Banque SA/Belfius Bank NV) (the “**Guarantor**” or “**Belfius Bank**”) pursuant to this senior preferred guarantee (the “**Guarantee**”);

WHEREAS the Management Board of Belfius Bank has approved to guarantee the issuance by Belfius Financing Company of Belfius Financing Company Notes under the Programme by its decision of 31 July 2019;

WHEREAS the Management Board of Belfius Bank in its decision of 31 July 2019 has delegated all powers to execute such Guarantee to Mr. D. Gyselinck, member of the Management Board, with the right for him to delegate his powers;

The Guarantor hereby unconditionally and irrevocably guarantees as and for its own debt to each holder of each Belfius Financing Company Note (each a “**Noteholder**” and together the “**Noteholders**”) to pay or procure to pay such amounts to the Noteholders who have not obtained due payment from the Issuer if and when such amounts fall due under the Terms and Conditions. The Terms and Conditions are those enumerated in the Base Prospectus and the relevant Final Terms, and which are included by reference in the present Guarantee. This Guarantee is enforceable against the Guarantor upon first demand sent by the holder by registered mail to the registered office of the Guarantor.

The Base Prospectus has been approved by the Financial Services and Markets Authority in its decision of 24 September 2019.

It is understood that any payments to be made under this Guarantee shall be made in the currency of the underlying Notes.

This Guarantee is a continuing guarantee and nothing but payment in full of the amounts due by the Issuer in application of the Notes hereby guaranteed shall discharge the Guarantor of its obligations hereunder in respect of such Notes.

This Guarantee shall be governed by, and interpreted in accordance with, the laws of Belgium.

This Guarantee may be executed in any number of counterparts.

All actions arising out of or based upon this Guarantee are to be brought before the competent Courts in Brussels.

In witness whereof, the Guarantor has authorised and caused this Guarantee to be duly executed and delivered as of [●] 2019.

On behalf of Belfius Bank SA/NV

Dirk Gyselinck
Member of the Management Board

Annex 3: Articles of Association

A. Belfius Bank

Copies of the articles of Association (in English, French and Dutch) of Belfius Bank may be obtained without charge from the offices of Belfius Bank and are also available on the website of Belfius Bank (<https://www.belfius.be>) in the Company profile, section “Who we are” (link <https://www.belfius.be/about-us/en/corporate-governance/governance/articles-of-association>).

B. Belfius Financing Company

BELFIUS FINANCING COMPANY S.A.

Société anonyme
R.C.S. Luxembourg B 156.767

Articles of Association Dated 7 May 2014

Title I. - Denomination, Registered office, Object, Duration

Art. 1. There is hereby established a *société anonyme* under the name of “Belfius Financing Company”.

Art. 2. The registered office of the company is established in the municipality of Koerich.

It may be transferred to any other place in the municipality of Koerich by a decision of the board of directors

If extraordinary political or economic events occur or are imminent, which might interfere with the normal activity at the registered office, or with easy communication between this office and abroad, the registered office may be declared to have been transferred abroad provisionally until the complete cessation of these abnormal circumstances.

Such decision, however, shall have no effect on the nationality of the company. Such declaration of the transfer of the registered office shall be made and brought to the attention of third parties by the organ of the corporation, which is best situated for this purpose under such circumstances.

Art. 3. The company is established for an unlimited period.

Art. 4. The purpose of the Company is: (a) to hold shareholdings and stakes, in any form whatsoever, in any commercial, industrial, financial or other Luxembourg or foreign company or undertakings, as well as to manage and optimise these stakes, (b) to acquire by way of participations, contributions, guarantees, acquisitions or options, negotiation or any other means, securities, rights, patents, licenses and other assets, provided the Company considers it appropriate to do so, and in general to hold, manage, optimise, sell or transfer the aforementioned, in whole or in part; (c) to take part in commercial, financial or other transactions and to grant to any holding company, subsidiary, associated or affiliated company or any other company belonging to the same corporate group as the Company any financial assistance, loan, advance or guarantee; (d) to borrow, raise funds by any means whatsoever (including without limitation the issuance of preferred equity certificates (PECs) (nonconvertible or convertible into shares), loans, bonds, acknowledgements of debt and any other form of debt or type of instrument) and to ensure the reimbursement of any borrowed amount; to perform all operations directly or indirectly related to this purpose.

The Company may grant pledges, guarantees, liens, mortgages and any other type of security (surety), as well as any form of compensation, to Luxembourg or foreign entity(ies) in relation to its own obligations and debts, or in relation to the obligations and debts of subsidiaries, associated or affiliated companies or any company belonging to the same corporate group.

The Company may acquire immovable property located abroad or in Luxembourg.

The Company may moreover perform any commercial, technical or financial transactions, involving movable or immovable property, which are directly or indirectly related to the abovementioned purpose.

Title II. - Capital, Shares

Art. 5. The share capital of the Company is set at three million ninety-four thousand four euro (EUR 3,094,004) divided into two hundred and fifty-one (251) shares, without nominal value.

The shares are in registered form.

The company may, to the extent and under the terms permitted by law, purchase its own shares.

The corporate capital may be increased or reduced in compliance with the legal requirements.

The company recognises only one single owner per share. If one or more shares are jointly owned or if the ownership of such share(s) is disputed, all persons claiming a right to such share(s) have to appoint one single attorney to represent such share(s) towards the company.

The failure to appoint such attorney implies a suspension of all rights attached to such share(s).

Title III. – Management

Art. 6. The Company shall be managed by a board of directors composed of at least three (3) directors, who need not be shareholders of the Company. The directors shall be elected by the shareholders at a general meeting, which shall determine their number, remuneration and term of office. The term of office of a director may not exceed six (6) years and the directors shall hold office until their successors are elected. The directors

may be re-elected for consecutive terms of office. The directors are split in two (2) categories, directors of category A and directors of category B.

In case the company is incorporated by a sole shareholder, or if, at a general meeting of shareholders, it is noted that the company only has one shareholder, the composition of the board of directors may be limited to one sole director until the next annual general meeting at which it is noted that the company has (again) more than one shareholder.

In this case, the sole director exercises the powers devolving on the board of directors.

The directors are elected by a simple majority vote of the shares present or represented. Any director may be removed at any time with or without cause by the general meeting of shareholders.

In the event of a vacancy in the office of a director because of death, retirement or otherwise, this vacancy may be filled out on a temporary basis until the next meeting of shareholders, in compliance with the applicable legal provisions.

Art. 7. The board of directors will elect from among its members a chairman. When he is prevented, he is replaced by the eldest director. The first chairman may be appointed by the extraordinary general shareholders meeting following the incorporation of the company.

The board of directors convenes upon call by the chairman or by the eldest director, when the chairman is prevented, as often as the interest of the corporation so requires. It must be convened each time two directors so request.

Any director may act at any meeting of the board of directors by appointing in writing or by telegram, telex or facsimile another director as his proxy. A director may represent one or more of his colleagues.

The board of directors can deliberate and/or act validly only if all the directors are present or represented at a meeting of the board of directors. If the required presence quorum is not attained, the meeting shall be adjourned and a second meeting shall be convened at the same hour, five business days later, which will deliberate and/or act validly only if a majority of the directors is present or represented at such meeting.

Decisions shall be taken by a majority vote of the directors present or represented at such meeting. In case of a tie in votes, the vote of the chairman of the meeting will be decisive.

Board resolutions can also be taken by circular letter, the signatures of the different board members may be apposed on several exemplars of the board resolution in writing.

Any director may also participate in any meeting of the board of directors by conference call, videoconference or by other similar means of communication allowing all the persons taking part in the meeting to hear one another. The participation in a meeting by these means is equivalent to a participation in person at such meeting.

Art. 8. The board of directors is vested with the broadest powers do perform all acts of administration and disposition in compliance with the corporate object.

All powers not expressly reserved by law or by the present articles of association to the general meeting of shareholders fall within the competence of the board of directors. The board of directors may pay interim dividends, in compliance with the legal requirements.

Art. 9. The Company will only be bound by the joint signature of any A director together with any B director or by the single signature to whom such signatory power has been validly delegated by the board of directors or by a decision signed by a director A and by a director B jointly

Art. 10. The board of directors may delegate its powers to conduct the daily management of the company to one or more directors, officers, managers or other agents, shareholder or not, acting alone or jointly.

The board of directors may also commit the management of all the affairs of the corporation or of a special branch to one or more managers, and give special powers for determined matters to one or more proxy holders, selected from its own members or not, either shareholders or not.

Art. 11. Any litigations involving the company either as plaintiff or as defendant, will be handled in the name of the company by the board of directors, represented by its chairman or by the director delegated for this purpose.

Title IV. - Supervision

Art. 12. The company is supervised by one or several statutory auditors, appointed by the general meeting of shareholders which will fix their number and their remuneration, as well as the term of their office, which must not exceed six years.

Whenever required by law the company is supervised by one or several independent auditors in lieu of the statutory auditor(s).

The independent auditors are appointed, pursuant to the related legal provisions, either by the general meeting of shareholders or by the board of directors. The independent auditors shall fulfil all the duties set forth by the related law.

Title V. - General meeting

Art. 13. The general meeting of shareholders of the company represents all the shareholders of the company. It has the broadest powers to order, carry out or ratify acts relating to the operations of the company, unless the present articles of association provide otherwise.

The annual general meeting will be held in the city of Luxembourg at the place specified in the convening notices on the third Wednesday of March at 10.00 a.m.

If such day is a legal holiday, the general meeting will be held on the next following business day.

Other general meetings of shareholders may be held at such places and dates as may be specified in the respective notices of meeting.

Each share entitles one vote. Each shareholder may participate to the meetings of the shareholders by appointing in writing, by telecopy, email or any other similar means of communication, another person as his proxy-holder.

If all shareholders are present or represented at a meeting of the shareholders, and if they declare knowing the agenda, the meeting may be held without convening notice or prior publication.

If the company only has one sole shareholder, the latter exercises the powers devolving on the general meeting,

Title VI. - Accounting year, Allocation of profits

Art. 14. The accounting year of the company shall begin on January 1 and shall terminate on December 31 of each year.

Art. 15. After deduction of any and all of the expenses of the company and the amortizations, the credit balance represents the net profits of the company. Of the net profits, five percent (5,00 %) shall be appropriated for the legal reserve; this deduction ceases to be compulsory when the reserve amounts to ten percent (10,00 %) of the capital of the company, but it must be resumed until the reserve is entirely reconstituted if, at any time, for any reason whatsoever, it has been touched.

The balance is at the disposal of the general meeting.

Title VII. - Dissolution, Liquidation

Art. 16. The company may be dissolved by a resolution of the general meeting of shareholders. The liquidation will be carried out by one or more liquidators, physical or legal persons, appointed by the general meeting of shareholders which will specify their powers and fix their remunerations.

Title VIII. - General provisions

Art. 17. All matters not governed by these articles of association are to be construed in accordance with the law of August 10th 1915 on commercial companies and the amendments hereto.

Annex 4: Agency Agreement



BELFIUS FINANCING COMPANY SA

as Issuer

and

BELFIUS BANK SA/NV

as Guarantor of Notes issued by Belfius Financing Company SA, Paying Agent and
Calculation Agent

BANQUE INTERNATIONALE A LUXEMBOURG SA

as Fiscal Agent and Principal Paying Agent

AGENCY AGREEMENT

Relating to the Notes issued in bearer form by Belfius Financing Company
SA (hereafter the “Bearer Notes”)

under the

BELFIUS FINANCING COMPANY SA

AND

BELFIUS BANK SA/NV

NOTES ISSUANCE PROGRAMME

[●] 2019

This Agency Agreement (the “**Agreement**”) is made as of [●] 2019 and amends and restates the Agency Agreement dated 25 September 2018 as modified from time to time **BETWEEN**:

- (1) **Belfius Financing Company, SA** with Its Registered Office is located at 20, rue de l'Industrie, L-8399 Koerich, Grand Duchy of Luxembourg (“**Belfius Financing Company**”, the “**Issuer**”);
- (2) **Belfius Bank SA/NV**, with its registered office at Place Charles Rogier 11, B-1210 Brussels, Belgium (“**Belfius Bank**” in its capacity as guarantor of the Notes the “**Guarantor**”, in its capacity as paying agent, the “**Paying Agent**” and its capacity as calculation agent, the “**Calculation Agent**” in the case of Notes issued by Belfius Financing Company under the Notes Issuance Programme); and
- (3) **BANQUE INTERNATIONALE A LUXEMBOURG, SOCIETE ANONYME** with its register office at 69, route d’Esch, L-2953, Luxembourg, Grand Duchy of Luxembourg (“**BIL**”, in its capacity as fiscal agent the “**Fiscal Agent**” and its capacity as principal paying agent the “**Principal Paying Agent**”).

WHEREAS

- (A) Belfius Financing Company, in accordance with the resolutions of the Board of Directors of Belfius Financing Company, passed on 13 September 2019, may from time to time issue Bearer Notes (the “**Belfius Financing Company Notes**”) under the Notes Issuance Programme to be dated on or around 25 September 2019 (the “**Programme**”), which may be linked to various underlyings (the “**Underlying**”), that rank as senior obligations of the Issuer (the “**Notes**”). The Notes will be guaranteed by the Guarantor pursuant to a senior guarantee (the “**Guarantee**”) in accordance with the resolutions of the Management Board of the Guarantor passed on 31 July 2019.
- (B) The Programme is described in the prospectus (the “**Prospectus**”) dated 24 September 2019 that replaces and supersedes, as of such date, the Prospectus dated 25 September 2018.
- (C) For the purposes of the Programme the parties (or their predecessors) to this Agency Agreement entered into an agency agreement dated 25 September 2018 (the “**Original Agency Agreement**”) to be amended, restated and superseded by this Agency Agreement.
- (D) Any Bearer Notes issued on or after the date of this Agency Agreement shall be issued under the Programme pursuant to this Agency Agreement. The amendments to the Original Agency Agreement made by this Agency Agreement shall not apply in respect of any further Belfius Financing Company Notes issued pursuant to the Original Agency Agreement on or after the date hereof that are consolidated and form a single series with any Notes issued prior to the date hereof.

IT HAS BEEN AGREED AS FOLLOWS:

Article 1

The Issuer hereby warrants as follows:

- (i) That it is duly incorporated and validly existing under the laws of its country of incorporation and that it has corporate power and authority to conduct its business and to execute, deliver and comply with the provisions of this Agreement and the Notes, as the case may be;
- (ii) that all necessary consents, authorizations, notifications, registrations and filings have been obtained or made (and are in full force and effect) in connection with the compliance by the Issuer with the respective terms of this Agreement and the Notes including all payments to be made by the Issuer thereunder or in connection therewith;
- (iii) that this Agreement constitutes, and upon due execution, issue and/or delivery as aforesaid the Notes will constitute, valid and legally binding obligations of the Issuer in accordance with their respective terms;
- (iv) that the Prospectus is accurate in all material respects and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;
- (v) that the financial statements and other financial information in the Programme present fairly its financial position and since the date of the most recent financial statements therein contained there has been no material adverse change, financial or otherwise in the condition, general affairs, results of operation or prospects other than as referred to in the Prospectus;

- (vi) that no events exist which, had any Notes been issued, would (or, with the giving of notice or lapse of time or both, could) constitute an event of default under the Notes;
- (vii) that no litigation, arbitration or administrative proceedings are presently current or pending or, to the knowledge of the Issuer threatening which would or might have a material adverse effect on the Issuer or on the ability of the Issuer to perform its obligations under this Agreement and the Notes;
- (viii) that under presently applicable rules, all payments to be made by the Issuer under this Agreement and the Notes are exempt from any taxes, by way of deduction or withholding, and the Issuer is not required by law to make any deduction or withholding therefrom;
- (ix) that the Issuer will pay all and any stamp and other similar taxes and duties payable in its country of incorporation in connection with the authorization, execution and delivery of the Notes, the initial delivery of the Notes and the execution and delivery of this Agreement.

Article 2

The Bearer Notes are issued in bearer form in the Denominations specified in the relevant Final Terms. They will be represented by a Permanent Global Note, deposited with BIL as common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream Luxembourg**”) and will not be exchangeable for definitive notes.

The Bearer Notes will not be physically delivered. They will be held in a securities account.

Article 3

The Issuer appoints BIL as Principal Paying Agent and Fiscal Agent and Belfius Bank as Calculation Agent and Paying Agent (together referred to as the “**Agents**”) in respect of any Tranche of Bearer Notes issued under the Programme upon the terms and subject to the conditions herein set forth, unless otherwise specified in the relevant Final Terms.

Article 4

The Issuer or the Guarantor authorises and directs the Fiscal Agent, from the funds provided to it, to make payments of principal and interest on the Bearer Notes on the relevant due dates.

- (1) The Issuer will, before 10.00 a.m. (Central European Time), on each date on which any payment in respect of any Bearer Notes becomes due under the Conditions, transfer to an account specified by the Fiscal and Principal Paying Agent from time to time such amount in the relevant currency as shall be sufficient for the purposes of such payment in funds settled through such payment system as the Fiscal and Principal Paying Agent and the Issuer may from time to time agree.
- (2) Any funds paid by or by arrangement with the Issuer to the Fiscal and Principal Paying Agent pursuant to subclause (1) shall be held by the relevant Agent for payment to the Noteholders, until any payments under the Bearer Notes become prescribed under the Conditions.
- (3) The Issuer will ensure that no later than 10.00 a.m. (Central European Time) on the second Business Day (as defined below) immediately preceding the date on which any payment is to be made to the relevant Agent pursuant to subclause (1), the Fiscal and Principal Paying Agent shall receive an irrevocable payment confirmation by authenticated SWIFT from the paying bank of the Issuer. For the purposes of this subclause, “**Business Day**” means any day on which TARGET2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open and any other day so specified in the relevant Final Terms.
- (4) The Fiscal and Principal Paying Agent shall notify by facsimile or by e-mail the Issuer forthwith:
 - (a) if it has not by the relevant date specified in subclause (1) received unconditionally the full amount in the Specified Currency required for the payment; and
 - (b) if it received unconditionally the full amount of any sum payable in respect of the Bearer Notes after such date.
- (5) If for any reason the Fiscal and Principal Paying Agent considers in its sole discretion that the amounts to be received by it pursuant to subclause (1) will be, or the amounts actually received by it pursuant thereto are, insufficient to satisfy all claims in respect of all payments then falling due in respect of the Bearer Notes, the Agents shall not be obliged to pay any such claims until the Fiscal and Principal Paying Agent have received the full amount of all such payments.

(6) Without prejudice to subclause (5), if the Fiscal and Principal Paying Agent pays any amounts to the holders of Bearer Notes or to any other Paying Agent at a time when it has not received payment in full in respect of the relevant Bearer Notes in accordance with subclause (1) (the excess of the amounts so paid over the amount so received being the “**Shortfall**”), the Issuer will, in addition to paying amounts due under subclause (1), pay to the Fiscal and Principal Paying Agent on demand interest (at a rate which represents the Fiscal and Principal Paying Agent’s cost of funding the Shortfall) on the Shortfall (or the unreimbursed portion thereof) until receipt in full by the Fiscal and Principal Paying Agent of the Shortfall.

(7) The Fiscal and Principal Paying Agent shall on demand promptly reimburse each other Paying Agent for payments in respect of Bearer Notes properly made by such Paying Agent in accordance with this Agreement and the Conditions unless the relevant Agent has notified the relevant Paying Agent that the Fiscal and Principal Paying Agent does not expect to receive on the due date of a payment in respect of the Bearer Notes sufficient funds to make payment of all amounts falling due in respect of such Bearer Notes.

(8) Whilst any Bearer Notes are represented by a Permanent Global Note, all payments due in respect of such Notes shall be made to, or to the order of, the holder of the Permanent Global Note, subject to and in accordance with the provisions of the Permanent Global Note. On the occasion of any such payment, the Paying Agent to which any Permanent Global Note was presented for the purpose of making such payment shall cause the appropriate Schedule to the relevant Permanent Global Note to be annotated in order to evidence the amounts and dates of such payments of principal and/or interest as applicable.

(9) If the amount or principal and/or interest then due for payment is not paid in full (otherwise than by reason of a deduction required by law to be made therefrom or a certification required by the terms of a Note not being received), the Paying Agent to which a Note is presented for the purpose of making such payment shall make a record of such shortfall on the relevant Note and such record shall, in the absence of manifest error, be *prima facie* evidence that the payment in question has not to that extent been made.

Article 5

The Calculation Agent shall in respect of the Notes:

- (a) obtain such quotes and rates and/or make such determinations, calculations, adjustments, notifications and publications as may be required to be made by it by the chapter Terms and Conditions of the Notes in the Prospectus (the “**Terms and Conditions**”) at the times and otherwise in accordance with the Terms and Conditions;
- (b) maintain a record of all quotations obtained by it and of all amounts, rates and other items determined or calculated by it and make such record available for inspection at all reasonable times by the Issuer, the Guarantor and the Paying Agents;
- (c) promptly notify (and confirm in writing to) the Issuer, the other Paying Agents of each Interest Amount, Interest Rate and Interest Payment Date and all other amounts, rates and dates which it is obliged to determine or calculate under the Conditions as soon as practicable after their determination and of any subsequent amendments to them under the Conditions; and
- (d) use its best endeavours to cause each Interest Amount, Interest Rate and Interest Payment Date and all other amounts, rates and dates which it is obliged to determine or calculate under the Conditions to be published as required in accordance with the Conditions as soon as possible after their determination or calculation.

Article 6

The Issuer, or failing him, the Guarantor, will indemnify the Fiscal Agent against any loss, liability and reasonable expenses which may be incurred by it by reason of, or in connection with the exercise of its duties as Fiscal Agent, except such as may result from the Fiscal Agent's own negligence or wilful misconduct. The Fiscal Agent shall not be liable to pay interest on any moneys deposited with it by the Issuer and/or the Guarantor for the purpose of its functions as Fiscal Agent.

The indemnities contained in this Article 6 shall survive the termination or expiry of this Agreement.

Article 7

The Issuer, failing whom the Guarantor, shall pay the fees and expenses in respect of the Agents’ services in relation to any Tranche of Notes to the Fiscal Agent as separately agreed with the Fiscal Agent.

The Issuer will also reimburse the Fiscal Agent all reasonable out-of-pocket expenses (including, inter alia, publication, cable and telex costs and postage) incurred by it in connection with the services rendered hereunder, upon its written request.

The Fiscal Agent shall be responsible for the remuneration of the Agents and for the reimbursement of the expenses incurred by them.

Article 8

(1) Each Agent shall be entitled to deal with money paid to it by the Issuer for the purpose of this Agreement in the same manner as other money paid to a banker by its customers except:

(a) that it shall not exercise any right of set-off, lien or similar claim in respect thereof except in the case of money due to the Issuer, and any amounts that are due but unpaid or are to be reimbursed by the Issuer under this Agreement; and

(b) that it shall not be liable to account to the Issuer for any interest thereon.

No monies held by any Agent need be segregated except as required by law.

(2) In acting hereunder and in connection with the Bearer Notes, each Agent shall act solely as an agent of the Issuer and will not thereby assume any obligations towards or relationship of agency or trust for or with any of the owners or holders of the Bearer Notes.

(3) Each Agent hereby undertakes to the Issuer to perform such obligations and duties, and shall be obliged to perform such duties and only such duties, as are herein specified and in the Conditions, and no implied duties or obligations shall be read into any such document against any Agent, other than the duty to act honestly and in good faith and to exercise the diligence of a reasonably prudent agent in comparable circumstances.

(4) The Fiscal and Principal Paying Agent may consult with legal and other professional advisers and the opinion of such advisers shall be full and complete protection in respect of any action taken, omitted or suffered hereunder in good faith and in accordance with the opinion of such advisers.

(5) Each Agent may rely upon and shall be protected and shall incur no liability for or in respect of any action taken, omitted or suffered in reliance upon any instruction, request or order from the Issuer or any notice, resolution, direction, consent, certificate, affidavit, statement, cable, facsimile, telex or other paper or document which it reasonably believes to be genuine and to have been delivered, signed or sent by the proper party or parties or upon written instructions from the Issuer.

(6) Any Agent and its officers, directors and employees may become the owner of and/or acquire any interest in, any Notes with the same rights that it or they would have had if the Paying Agent concerned were not appointed hereunder, and may engage or be interested in any financial or other transaction with the Issuer and may act on, or as depositary, trustee or agent for, any committee or body of holders of Notes or in connection with any other obligations of the Issuer as freely as if the Agent were not appointed hereunder.

(7) The Issuer shall provide the Fiscal and Principal Paying Agent with a certified copy of the list of persons authorised to execute documents and take action on its behalf in connection with this Agreement and shall notify the Fiscal and Principal Paying Agent immediately in writing if any of such persons ceases to be so authorised or if any additional person becomes so authorised together, in the case of any additional authorised person, with evidence satisfactory to the Agent that such person has been so authorised.

(8) Except as ordered by a court of competent jurisdiction or as required by law or applicable regulations, the Issuer and each of the Agents shall be entitled to treat the bearer of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof).

Article 9

This Agreement may be amended by the parties hereto without the consent of the Noteholders, for the purpose of curing any ambiguity or in any manner which the parties may mutually deem necessary or desirable.

Article 10

The Issuer agrees that there shall at all times be a Fiscal Agent, until all the Notes shall have been redeemed and/or purchased and cancelled or shall have become void under the provisions of the prescription clause in the Terms and Conditions.

Each of the Agents may be removed at any time by the filing with it of at least 90 days written notice to that effect signed by or on behalf of the Issuer, specifying the date on which such removal shall become effective, and each of the Agents may at any time resign by giving at least 90 days written notice (unless the Issuer agrees to accept less notice) to that effect to the Issuer, specifying the date on which such resignation shall become effective, provided however that no such notice shall take effect less than 45 days prior to and 45 days after a payment date under the Notes in any year and that no such resignation or removal shall take effect until a new Fiscal Agent, Principal Paying Agent, Paying Agent or Calculation Agent has been appointed by the Issuer and such appointment has been accepted by the Issuer. Upon its removal or resignation becoming effective, the successor Fiscal Agent shall be entitled to receive all funds and documents on deposit with or held by its predecessor as Fiscal Agent.

Article 11

The Issuer and the Guarantor undertake to deliver to the Principal Paying Agent during the term of the Notes, upon its request, copies of its annual report and interim report, if any.

Article 12

The Issuer and the Guarantor may at any time convene a meeting of Noteholders. The provisions for convening a meeting of Noteholders are detailed in the Programme.

Article 13

Any notice hereunder shall be addressed

if to Belfius Financing Company:

to: Belfius Financing Company SA
20 rue de l'Industrie
L-8399 Koerich
Grand Duchy of Luxembourg
Attn.: Laurent Lassine
Fax: +352 27 32 95 20
Tel: +352 27 32 95 1
mailto: cp@belfius-fc.lu

if to Belfius Bank:

to: Belfius Bank SA/NV
Place Charles Rogier 11
B-1210 Bruxelles
Belgium
P/A RT 06/22
Attn : Financial Markets Transaction Services
Fax : +32 2 285 10 87
Phone : + 32 2 222 14 80
Swift : GKCCBEBB
mailto : CMcustodymgmt@belfius.be

if to BIL:

to: Banque Internationale à Luxembourg, société anonyme
69, route d'Esch
L-2953 Luxembourg
Grand Duchy of Luxembourg
Attn.: Agency Services
Phone: +352 4590 1
Fax: +352 4590 3473
Swift : BILLLULL
mailto : paying.agency@bil.com

All such notices shall be sent by registered mail. Such notices shall be effective upon receipt of the registered mail.

Article 14

(1) No Paying Agent shall be responsible or accountable to anyone with respect to the validity of this

Agreement or the Notes or for any act or omission by it in connection with this Agreement or any Note except for its own gross negligence, wilful default or bad faith, including that of its officers, directors and employees.

(2) No Paying Agent shall have any duty or responsibility in case of any default by the Issuer in the performance of its obligations under the Terms and Conditions or, in the case of receipt of a written demand from a Noteholder, with respect to such default, provided however that forthwith upon receipt by the Agent of a notice given by a Noteholder in accordance with Condition "*Events of Default*", the Agent will notify the Issuer and the Guarantor thereof and furnish them with a copy of such notice.

Whenever in the performance of its duties under this Agreement a Paying Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Issuer prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an authorised officer of the Issuer and delivered to such Paying Agent and such certificate shall be full authorisation to such Paying Agent, in its capacity as such, for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

Article 15

This Agreement is governed by and construed in accordance with the laws of the Grand Duchy of Luxembourg. All disputes arising in connection herewith between the Issuer, the Guarantor, the Fiscal Agent, the Principal Paying Agent, the Calculation Agent shall be subject to the non-exclusive jurisdiction of the courts of Luxembourg.

THUS DONE AND SIGNED ON [●] 2019

Belfius Financing Company SA.
as Issuer

By:

Belfius Bank SA/NV
as Guarantor of Notes issued by Belfius Financing Company S.A, Paying Agent and Calculation Agent

By:

BANQUE INTERNATIONALE A LUXEMBOURG société anonyme
as Fiscal Agent and Principal Paying Agent

By:

ANNEX 1: TEMPLATE FOR PERMANENT GLOBAL NOTE

BELFIUS FINANCING COMPANY SA

(Incorporated with limited liability under the laws of the Grand Duchy of Luxembourg)

Issuer

BELFIUS BANK SA/NV

(Incorporated with limited liability under the laws of Belgium)

Issuer, Guarantor, Domiciliary Agent, Principal Paying Agent, Paying Agent and Calculation Agent

**BANQUE INTERNATIONALE A LUXEMBOURG,
SOCIETE ANONYME**

Fiscal Agent and Principal Paying Agent

NOTES ISSUANCE PROGRAMME

EUR 20,000,000,000

PERMANENT GLOBAL NOTE

Permanent Global Note Series No: [●]

Nominal Amount of the Tranche: [●]

ISIN Code of the Notes: [●]

This Permanent Global Note is issued in respect of the Bearer Notes (the “Notes”) of the Tranche(s) and Series specified in Part A of the Schedule hereto of Belfius Financing Company SA (the “Issuer”) and guaranteed by Belfius Bank SA/NV (the “Guarantor”) pursuant to the Guarantee dated [●] 2019, as amended and supplemented from time to time.

Interpretation and Definitions

References in this Permanent Global Note to the “Conditions” are to the Terms and Conditions of the Notes (which are in the form set out in Annex 2 to the Agency Agreement dated [●] 2019 between Belfius Financing Company SA as the Issuer, Belfius Bank SA/NV as the Guarantor of Notes issued by Belfius Financing Company SA, Calculation Agent and Paying Agent and Banque Internationale à Luxembourg, société anonyme as the Fiscal Agent and Principal Paying Agent, as such form is supplemented and/or modified and/or superseded by the provisions of this Permanent Global Note (including the supplemental definitions and any modifications or additions set out in Part A of the Schedule hereto). Other capitalised terms used in this Permanent Global Note shall have the meanings given to them in the Conditions or in the Agency Agreement. No provisions of this Permanent Global Note shall alter or impair the obligation of the Issuer and the Guarantor to pay the principal of and interest on the Notes when due in accordance with the Conditions and the relevant Guarantee.

Subject as provided in this Permanent Global Note, the Issuer (failing whom the Guarantor), promises to pay the Noteholder on Maturity Date and/or on such earlier date(s) as all or any of the Notes represented by this Permanent Global Note may become due and repayable in accordance with the Conditions, the amount payable under the Conditions in respect of the Notes represented by this Global Note on each such date and to pay interest (if any) on the nominal amount of the Notes from time to time represented by this Permanent Global Note.

This Permanent Global Note shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Fiscal Agent.

This Permanent Global Note shall be governed by and construed in accordance with Belgian law.

IN WITNESS whereof the Issuer has caused this Permanent Global Note to be duly signed on its behalf.

[Dated as of the Issue Date]

Belfius Financing Company SA

By:

CERTIFICATE OF AUTHENTICATION

This Permanent Global Note is authenticated by or on behalf of the Fiscal Agent.

BANQUE INTERNATIONALE A LUXEMBOURG, société anonyme

as Fiscal Agent
By:

Authorised Signatory
For the purposes of authentication only.

SCHEDULE: FINAL TERMS

[Insert the relevant Final Terms that relate to the Permanent Global Note]

ANNEX 2: TERMS AND CONDITIONS

See prospectus Section 8 TERMS AND CONDITIONS

Annex 5: Reports Belfius Financing Company

A. Audited consolidated accounts of Belfius Financing Company

See annex

B. Unaudited interim accounts of Belfius Financing Company as at 30 June 2019

See annex

**BELFIUS FINANCING COMPANY S.A.
SOCIETE ANONYME**

**ANNUAL ACCOUNTS AND REPORT OF
THE RÉVISEUR D'ENTREPRISES AGRÉÉ**

AS AT DECEMBER 31, 2017

20, rue de l'Industrie
L-8399 Windhof
R.C.S. Luxembourg: B 156767

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To the Sole Shareholder of
Belfius Financing Company S.A.
20, rue de l'industrie
L-8399 Windhof

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the Audit of the Annual accounts

Opinion

We have audited the annual accounts of Belfius Financing Company S.A. (the « Company »), which comprise the balance sheet as at 31 December 2017, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Annual accounts" section of our report. We are also independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Debt instruments issuances and bonds or loans investments:

Risk description:

Short-term and long-term debt issuances are presented under Creditors in the annual accounts. These issuances are backed up by bonds and loans recognised under Debtors and Investments in the annual accounts.

These transactions form the core activity of the Company and are the most material items of its financial position. In addition, these transactions contribute significantly to the net result of the Company due to the interest charges and interest income they generate. Therefore, we have considered the existence and the completeness of the balances of Creditors, Debtors and Investments and the accuracy of the related interest expenses and interest income as key audit matters for the purpose of our audit.

Audit responses:

We have assessed the design and implementation of key controls which the Company performs in relation to debt instrument issuance and bonds or loans investments. We have performed substantive testing on interest related to Creditors, Debtors and Investments.

We completed our audit procedures by obtaining and analysing external audit confirmations from banks and custodians in order to obtain sufficient audit assurance in relation to the existence and the completeness of respectively Creditors, Debtors and Investments as at 31 December 2017.

Other information

The Board of directors is responsible for the other information. The other information comprises the information stated in the management report but does not include the annual accounts and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regards.

Responsibilities of the Board of Directors and Those Charged with Governance for the Annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the « Réviseur d'Entreprises Agréé » for the Audit of the Annual accounts

The objectives of our audit are to obtain a reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N°537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements


We have been appointed as « Réviseur d'Entreprises Agréé » by the General Meeting of the Shareholders on 15 March 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 8 years.

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

For Deloitte Audit, Cabinet de Révision Agréé


Jérôme Lecoq, Réviseur d'Entreprises Agréé
Partner

Luxembourg, March 21, 2018

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

BALANCE SHEET

As at December 31, 2017

(expressed in thousands of EUR)

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

BALANCE SHEET

As at December 31, 2017

(expressed in thousands of EUR)

<u>ASSETS</u>	Notes	2017 EUR	2016 EUR
SUBSCRIBED CAPITAL UNPAID	6	981	981
Subscribed capital not called		981	981
FORMATION EXPENSES	3	32	91
CURRENT ASSETS		9.868.679	10.630.238
Debtors	4	323.805	528.503
<i>becoming due and payable within one year</i>		<i>21.324</i>	<i>85.091</i>
<i>becoming due and payable after more than one year</i>		<i>302.481</i>	<i>443.412</i>
Investments	5	9.542.157	10.097.672
Cash at bank and in hand		2.717	4.063
PREPAYMENTS		5	5
<u>TOTAL (ASSETS)</u>		<u>9.869.697</u>	<u>10.631.315</u>
 <u>CAPITAL, RESERVES AND LIABILITIES</u>			
CAPITAL AND RESERVES	6	4.603	5.509
Subscribed capital		3.094	3.094
Reserves		665	399
Profit brought forward		229	1.360
Profit for the financial year		615	656
PROVISIONS		565	1.338
CREDITORS	7	9.864.433	10.624.391
<i>becoming due and payable within one year</i>		<i>2.090.187</i>	<i>2.690.192</i>
<i>becoming due and payable after more than one year</i>		<i>7.774.246</i>	<i>7.934.199</i>
DEFERRED INCOME		96	77
<u>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</u>		<u>9.869.697</u>	<u>10.631.315</u>

The accompanying notes form an integral part of these annual accounts.

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2017

(expressed in thousands of EUR)

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2017

(expressed in thousands of EUR)

	Notes	2017	2016
		EUR	EUR
Staff costs	12	(266)	(244)
Wages and salaries		(225)	(205)
Social security costs		(28)	(27)
<i>Relating to pensions</i>		(18)	(17)
<i>Other social security costs</i>		(10)	(10)
Other staff costs		(13)	(12)
Value adjustments	3	(59)	(59)
In respect of formation expenses		(59)	(59)
Other operating expenses	8	(795)	(602)
Other interest receivable and similar income	13	184.193	223.916
Derived from affiliated undertakings		184.190	223.911
Other interest and similar income		3	5
Interest payable and similar expenses		(182.201)	(222.047)
Other interest and similar expenses	9	(182.201)	(222.047)
Tax on profit		(260)	(305)
PROFIT AFTER TAXATION		612	659
Other taxes		3	(3)
PROFIT FOR THE FINANCIAL YEAR		615	656

The accompanying notes form an integral part of these annual accounts.

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

NOTES TO THE ACCOUNTS

As at December 31, 2017

(expressed in thousands of EUR)

NOTES TO THE ACCOUNTS

as at December 31, 2017

- continued -

NOTE 1 - GENERAL

Belfius Financing Company S.A. (the "Company") is a wholly-owned subsidiary of Belfius Bank S.A./N.V..

Belfius Financing Company S.A. falls under the requirements of Luxembourg rules and regulations applicable to companies issuing debt securities having no voting rights on the regulated market of the Luxembourg Stock Exchange.

The current debt issuance programmes of the Company are:

a) Long Term: Notes Issuance Programme (NIP)

The limit of the Notes Issuance Programme amounts to EUR 20.000.000.000. The debt securities issued under this program are guaranteed by Belfius Bank S.A./N.V. and have a minimum maturity of one month (no maximum maturity). Notes may be issued on a preferred senior basis. The Notes are not listed and are governed by Belgian law and are mainly placed with retail investors.

b) Short Term: Euro-Commercial Paper Programme (ECP)

The Euro-Commercial Paper Programme amounts to maximum EUR 10.000.000.000. These debt securities issued under this programme are not listed and are guaranteed by Belfius Bank S.A./N.V. and have a minimum maturity of one day and a maximum maturity of 364 days.

The financial year of the Company runs from January 1 until December 31 of each year.

The Company is exempt from drawing up consolidated accounts in accordance with Article 309 of the commercial Law of August 10, 1915, as amended.

Its registered office is established in the municipality of Koerich, at 20, rue de l'Industrie, L-8399 Windhof, Grand-Duchy of Luxembourg.

The Company's annual accounts are included in the consolidated accounts of Belfius Bank S.A./N.V., incorporated under the Law of Belgium. These can be obtained from Belfius Bank S.A./N.V., Boulevard Pachéco 44, B-1000 Brussels, Belgium.

NOTES TO THE ACCOUNTS

as at December 31, 2017

- continued -

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General principles

These annual accounts are prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg.

As at December 31, 2017 the annual accounts are presented under abridged format.

Translation of currencies

The Company maintains its accounting records in euro (EUR) and the annual accounts are prepared in this currency.

Assets and liabilities denominated in currencies other than EUR are translated at rates of exchange applicable at the balance sheet date. Transactions denominated in other currencies are translated at the approximate rates applicable at the time of the transactions. Exchange gains and losses are credited or charged to the profit and loss account. This, as well, applies to all current assets and liabilities considering the intrinsic economic link between these positions.

Formation expenses and similar expenses

The formation expenses and similar expenses are amortized linearly on a period of 5 years.

Similar expenses include debt issuance costs.

Debtors

Loans defined as debtors are stated in the balance sheet at their acquisition value. The carrying value of the loans includes the interest accrued. Incidental costs related to new loans are expensed in the financial year in which they are incurred.

Others debtors and receivables are stated at nominal value which includes interest which are due or accrued.

Value adjustments are made in respect of debtors in case of durable depreciation in value according to the opinion of the Board of Directors.

NOTES TO THE ACCOUNTS

as at December 31, 2017

- continued -

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Bonds are stated in the balance sheet at their acquisition value determined according to the principle of the individualized price or the average acquisition price. Incidental costs related are expensed in the financial period in which they are incurred.

The carrying value of the bonds includes the interest accrued.

The bonds do not expose the Company to market risk and therefore, value adjustments are made in respect of these investments in case of durable depreciation in value according to the opinion of the Board of Directors.

Provisions

At the end of each period provisions are recorded to cover all foreseeable liabilities and charges. Provisions relating to previous periods are regularly reviewed and released if the reasons for which the provisions were recorded have ceased to apply.

Creditors

Amounts payable represented by promissory notes are stated at their net proceeds corresponding to the repayment value. The carrying value includes the interests which are due or accrued.

Amounts payable represented by promissory notes for which the repayment value differs from the issue price are stated at their reimbursement value considering the application of the following rule: the positive difference (premium) or negative (discount) between the issue price and the reimbursement price is amortized over the period between issue date and maturity date.

Other interest receivable and similar income

Other interest receivable and similar income are recognised on the accrual basis.

NOTES TO THE ACCOUNTS

as at December 31, 2017

- continued -

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Interest payable and similar expenses

Interest payable and similar expenses are recognised on the accrual basis.

Taxes

Taxes are accounted on an accrual basis.

NOTE 3 - FORMATION EXPENSES

The caption includes costs in relation with the ECP and NIP programmes which have been activated in 2013 and 2014 respectively. They are amortized on a period of five years straight line.

	Cost	Amortization	Net book value
	EUR '000	EUR '000	EUR '000
Costs activated in relation to the ECP	195	190	5
Costs activated in relation to the NIP	99	72	27
	<u>294</u>	<u>262</u>	<u>32</u>

NOTE 4 - DEBTORS

As at December 31, 2017, debtors consist mainly of loans to Belfius Bank S.A./N.V. which are repayable at nominal value. Reference is made to note 13 in relation to the interest income from debtors amounts owed by affiliated undertakings.

NOTES TO THE ACCOUNTS

as at December 31, 2017

- continued -

NOTE 4 - DEBTORS (CONTINUED)

The carrying value of the debtors includes the carrying value of the loans and the related accrued interest, as follows:

	2017	2016
	EUR '000	EUR '000
Within one year	21.324	85.091
After one year and within five years	26.358	136.441
More than five years	276.123	306.971
TOTAL	323.805	528.503

The movements on debtors between December 31, 2016 and December 31, 2017 are attributable to loans reimbursements and to the conversion of some loans into bonds, now classified as "Investments".

In the opinion of the Board of Directors, no durable depreciations exist to justify a value adjustment on the debtors.

NOTE 5 - INVESTMENTS

As at December 31, 2017, investments consist of bonds issued by Belfius Bank S.A./N.V. which are repayable at nominal value.

The carrying value of the investments includes the related accrued interest and is as follows:

	2017	2016
	EUR '000	EUR '000
Within one year	2.069.388	2.605.810
After one year and within five years	5.132.116	4.976.528
More than five years	2.340.653	2.515.334
TOTAL	9.542.157	10.097.672

In the opinion of the Board of Directors, no durable depreciations exist to justify a value adjustment on the bonds.

NOTES TO THE ACCOUNTS

as at December 31, 2017

- continued -

NOTE 6 - CAPITAL AND RESERVES

The movements in capital and reserves during the year were as follows:

	Subscribed capital	Legal reserve	Other reserves	Results brought forward	Profit for the financial year
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as at January 1, 2017	3.094	179	220	1.360	656
Allocation of prior year result	0	32	234	389	(656)
Dividend paid	0	0	0	(1.520)	0
Result for the year	0	0	0	0	615
Balance as at December 31, 2017	3.094	211	454	229	615

Subscribed capital and results brought forward

As at December 31, 2017, the share capital of the Company amounts to EUR 3.094.004, fully subscribed and paid up to the extend of the aggregate amount of EUR 2.113.004, represented by 251 shares without par value, held by its Sole Shareholder, Belfius Bank S.A./N.V..

Legal reserve

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net gain for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the Sole Shareholder.

Other reserves

For the year ended December 31, 2017, the Company reduced its wealth tax liability in accordance with tax legislation by setting up a special reserve (classified under "reserves") in an amount equal to five times the amount of the payable wealth tax.

This reserve shall be maintained during the period of five years from the year following that during which the wealth tax was reduced.

NOTES TO THE ACCOUNTS

as at December 31, 2017

- continued -

NOTE 7 - CREDITORS

As at December 31, 2017, creditors are composed of long-term debts in relation with the NIP programme and of short-term debts in relation with the ECP programme fully and irrevocably guaranteed by Belfius Bank S.A./N.V.. Reference is made to note 9 in relation to the interest payable and similar expenses

The creditors, due and payable within one year, include also the trade creditors and tax and social security debts for a total amount of EUR 101.958 (2016: EUR 79.629).

The carrying value of creditors includes the related accrued interest, as follows:

	2017	2016
	EUR '000	EUR '000
Within one year	2.090.187	2.690.192
After one year and within five years	5.157.699	5.111.948
More than five years	2.616.547	2.822.251
TOTAL	<u>9.864.433</u>	<u>10.624.391</u>

The movements on debts occurred during the year ended December 31, 2017 are attributable to new issues made under the ECP and NIP programmes net of repayments during the year.

NOTES TO THE ACCOUNTS

as at December 31, 2017

- continued -

NOTE 8 - OTHER OPERATING EXPENSES

Other operating expenses are composed as follows:

	2017	2016
	EUR '000	EUR '000
Occupancy fees	25	25
Service providers		
Accounting / administrative fees	356	296
Technology & system fees	126	30
Legal & tax fees	87	61
External statutory audit fees	33	32
Rating agencies fees	102	100
Professional associations costs	18	22
Training fees	2	3
Directors fees	20	10
Bank fees & assimilated	19	16
Other fees	7	7
TOTAL	795	602

NOTE 9 - INTEREST PAYABLE AND SIMILAR EXPENSES

Interest payable and similar expenses are composed as follows:

	2017	2016
	EUR '000	EUR '000
Interest payable and similar expenses on notes payable (<i>NIP programme</i>)	181.015	220.586
Interest payable and similar expenses on notes payable (<i>ECP programme</i>)	827	437
Other financial & interest charges	338	1.024
Foreign exchange losses	21	0
TOTAL	182.201	222.047

NOTES TO THE ACCOUNTS

as at December 31, 2017

- continued -

NOTE 10 - TAXATION

The Company is subject to the common tax law applicable to Luxembourg commercial companies.

NOTE 11 - EMOLUMENTS, ADVANCES AND LOANS GRANTED TO THE MEMBERS OF THE ADMINISTRATIVE MANAGERIAL AND SUPERVISORY BODIES

The Company granted a Director's fee of EUR 19.530 (2016: EUR 10.000) in total to the independent and external members of the Board of Directors for the services rendered during the year.

NOTE 12 - EMPLOYEES

The Company has employed 4 people during the financial year (2016: 3 people).

NOTE 13 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Interest and similar income are composed as follows:

	2017	2016
	EUR '000	EUR '000
Interest income and similar income concerning affiliated undertakings (<i>bonds in relation with ECP programme</i>)	1.215	812
Interest income and similar income concerning affiliated undertakings (<i>loans and bonds in relation with NIP programme</i>)	182.962	223.094
Other financial income	16	5
Foreign exchange	0	5
TOTAL	184.193	223.916

**BELFIUS FINANCING COMPANY S.A.
SOCIETE ANONYME**

**ANNUAL ACCOUNTS AND REPORT OF
THE RÉVISEUR D'ENTREPRISES AGRÉÉ**

AS AT DECEMBER 31, 2018

20, rue de l'Industrie
L-8399 Windhof
R.C.S. Luxembourg: B 156767

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To the Sole Shareholder of
Belfius Financing Company S.A.
20, rue de l'industrie
L-8399 Windhof

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the Audit of the Annual Accounts

Opinion

We have audited the annual accounts of Belfius Financing Company S.A. (the "Company"), which comprise the balance sheet as at December 31, 2018, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at December 31, 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier* (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the *Réviser d'Entreprises Agréé* for the Audit of the Annual Accounts" section of our report. We are also independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Debt instruments issuances and bonds or loans investments:

Risk description:

Short-term and long-term debt issuances are presented under Creditors in the annual accounts. These issuances are backed by loans and bonds recognised under Debtors and Investments in the annual accounts.

These transactions form the core activity of the Company and are the most material items of its financial position. In addition, these bonds and loans transactions contribute significantly to the results of the Company consisting in interest income they generate. Therefore, we have considered the completeness of the Creditors balance, the existence of the Debtors and Investments balances and the accuracy of the related interest income as key audit matters for the purpose of our audit.

Audit responses:

We have assessed the design and implementation of key control activities which the Company performs in relation to debt instrument issuance, bonds and loan investments, and related interest income. We have performed a test of operating effectiveness of these identified relevant controls.

We completed our audit procedures by:

- performing substantive testing on interest income related to Debtors and Investments.
- obtaining and analysing external confirmations from custodian banks in relation to the completeness and existence of respectively Creditors, Debtors and Investments as at December 31, 2018.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the management report but does not include the annual accounts and our report of the *Réviseur d'Entreprises Agréé* thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Annual Accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Réviseur d'Entreprises Agréé for the Audit of the Annual Accounts

The objectives of our audit are to obtain a reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the *Réviseur d'Entreprises Agréé* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the *Réviseur d'Entreprises Agréé* to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the *Réviseur d'Entreprises Agréé*. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as *Réviseur d'Entreprises Agréé* by the General Meeting of the Shareholders on March 15, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 9 years.

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

For Deloitte Audit, *Cabinet de Révision Agréé*

A handwritten signature in black ink, appearing to be 'LB', written over a horizontal line. The signature is stylized and extends above and below the line.

Ludovic Bardon, *Réviseur d'Entreprises Agréé*
Partner

Luxembourg, March 19, 2019

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

BALANCE SHEET

As at December 31, 2018

(expressed in thousands of EUR)

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

BALANCE SHEET

As at December 31, 2018

(expressed in thousands of EUR)

<u>ASSETS</u>	Notes	2018 EUR	2017 EUR
SUBSCRIBED CAPITAL UNPAID	6	981	981
Subscribed capital not called		981	981
FORMATION EXPENSES	3	6	32
CURRENT ASSETS		9.485.870	9.868.679
Debtors	4	188.727	323.805
Amounts owed by affiliated undertakings <i>becoming due and payable within one year</i>		26.628	21.324
<i>becoming due and payable after more than one year</i>		162.099	302.481
Other investments	5	9.294.283	9.542.157
Cash at bank and in hand		2.860	2.717
PREPAYMENTS		5	5
<u>TOTAL (ASSETS)</u>		<u>9.486.862</u>	<u>9.869.697</u>
 <u>CAPITAL, RESERVES AND LIABILITIES</u>			
CAPITAL AND RESERVES	6	4.468	4.603
Subscribed capital		3.094	3.094
Reserves		772	665
Profit brought forward		37	229
Profit for the financial year		565	615
PROVISIONS		533	565
OTHER CREDITORS	7	9.481.742	9.864.433
Tax authorities		97	92
Social security authorities		13	9
Other creditors			
<i>becoming due and payable within one year</i>		1.229.743	2.090.086
<i>becoming due and payable after more than one year</i>		8.251.889	7.774.246
DEFERRED INCOME		119	96
<u>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</u>		<u>9.486.862</u>	<u>9.869.697</u>

The accompanying notes form an integral part of these annual accounts.

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2018

(expressed in thousands of EUR)

BELFIUS FINANCING COMPANY S.A.
Société Anonyme
PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2018
(expressed in thousands of EUR)

	Notes	2018 EUR	2017 EUR
Staff costs	12	(296)	(266)
Wages and salaries		(254)	(225)
Social security costs		(29)	(28)
<i>Relating to pensions</i>		<i>(19)</i>	<i>(18)</i>
<i>Other social security costs</i>		<i>(10)</i>	<i>(10)</i>
Other staff costs		(13)	(13)
Value adjustments	3	(26)	(59)
In respect of formation expenses		(26)	(59)
Other operating expenses	8	(824)	(795)
Other interest receivable and similar income	13	158.594	184.193
Derived from affiliated undertakings		158.593	184.190
Other interest and similar income		1	3
Interest payable and similar expenses	9	(156.655)	(182.201)
Other interest and similar expenses		(156.655)	(182.201)
Tax on profit	10	(228)	(260)
PROFIT AFTER TAXATION		565	612
Other taxes	10	0	3
PROFIT FOR THE FINANCIAL YEAR		565	615

The accompanying notes form an integral part of these annual accounts.

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

NOTES TO THE ACCOUNTS

As at December 31, 2018

(expressed in thousands of EUR)

NOTES TO THE ACCOUNTS

as at December 31, 2018

NOTE 1 - GENERAL

Belfius Financing Company S.A. (the "Company") is a wholly-owned subsidiary of Belfius Bank S.A./N.V..

Belfius Financing Company S.A. falls under the requirements of Luxembourg rules and regulations applicable to companies issuing debt securities having no voting rights on the regulated market of the Luxembourg Stock Exchange.

The current debt issuance programmes of the Company are:

a) Long Term: Notes Issuance Programme (NIP)

The limit of the Notes Issuance Programme amounts to EUR 20.000.000.000. The debt securities issued under this program are guaranteed by Belfius Bank S.A./N.V... Notes may be issued on a preferred senior basis. The Notes are not listed and are governed by Belgian law and are mainly placed with retail investors.

b) Short Term: Euro-Commercial Paper Programme (ECP)

The Euro-Commercial Paper Programme amounts to maximum EUR 10.000.000.000. These debt securities issued under this programme are not listed and are guaranteed by Belfius Bank S.A./N.V. and have a minimum maturity of one day and a maximum maturity of 364 days.

The financial year of the Company runs from January 1 until December 31 of each year.

The Company is exempt from drawing up consolidated accounts in accordance with Article 1711-1 of the commercial Law of August 10, 1915, as amended.

Its registered office is established in the municipality of Koerich, at 20, rue de l'Industrie, L-8399 Windhof, Grand-Duchy of Luxembourg.

The Company's annual accounts are included in the consolidated accounts of Belfius Bank S.A./N.V., incorporated under the Law of Belgium. These can be obtained from Belfius Bank S.A./N.V., Place Charles Rogier 11, B-1210 Brussels, Belgium.

NOTES TO THE ACCOUNTS

as at December 31, 2018

- continued -

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General principles

These annual accounts are prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg.

As at December 31, 2018, the annual accounts are not presented under abridged format. In order to ensure adequate comparability across financial years, certain comparative figures in respect of the financial year ended December 31, 2017 have been reclassified.

Translation of currencies

The Company maintains its accounting records in euro (EUR) and the annual accounts are prepared in this currency.

Assets and liabilities denominated in currencies other than EUR are translated at rates of exchange applicable at the balance sheet date. Transactions denominated in other currencies are translated at the approximate rates applicable at the time of the transactions. Exchange gains and losses are credited or charged to the profit and loss account. This, as well, applies to all current assets and liabilities considering the intrinsic economic link between these positions.

Formation expenses and similar expenses

The formation expenses and similar expenses are amortized linearly over a period of 5 years. Similar expenses include debt issuance costs.

NOTES TO THE ACCOUNTS

as at December 31, 2018

- continued -

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debtors

Loans defined as debtors are stated in the balance sheet at their acquisition value. The carrying value of the loans includes the interest accrued. Incidental costs related to new loans are expensed in the financial year in which they are incurred.

Other debtors and receivables are stated at nominal value which includes interest which is due or accrued.

Value adjustments are made in respect of debtors in case of durable depreciation in value according to the opinion of the Board of Directors.

Investments

Bonds are stated in the balance sheet at their acquisition value determined according to the principle of the individualized price or the average acquisition price. Incidental costs related are expensed in the financial period in which they are incurred.

The carrying value of the bonds includes the interest accrued.

The bonds do not expose the Company to market risk and therefore, value adjustments are made in respect of these investments in case of durable depreciation in value according to the opinion of the Board of Directors.

Provisions

At the end of each period provisions are recorded to cover all foreseeable liabilities and charges.

Provisions relating to previous periods are regularly reviewed and released if the reasons for which the provisions were recorded have ceased to apply.

Creditors

Amounts payable represented by promissory notes are stated at their net proceeds corresponding to the repayment value. The carrying value includes the interests which are due or accrued.

NOTES TO THE ACCOUNTS

as at December 31, 2018

- continued -

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts payable represented by promissory notes for which the repayment value differs from the issue price are stated at their reimbursement value considering the application of the following rule: the positive difference (premium) or negative difference (discount) between the issue price and the reimbursement price is amortized over the period between issue date and maturity date.

Other interest receivable and similar income

Other interest receivable and similar income are recognised on an accrual basis.

Interest payable and similar expenses

Interest payable and similar expenses are recognised on the accrual basis.

Taxes

Taxes are accounted for on an accrual basis.

NOTE 3 - FORMATION EXPENSES

The caption includes costs in relation with the ECP and NIP programmes which have been activated in 2013 and 2014 respectively. They are amortized on a period of five years straight line.

	Cost	Amortization	Net book value
	EUR '000	EUR '000	EUR '000
Costs activated in relation to the ECP	195	195	0
Costs activated in relation to the NIP	99	93	6
	294	288	6

NOTES TO THE ACCOUNTS

as at December 31, 2018

- continued -

NOTE 4 - DEBTORS

As at December 31, 2018, debtors consist mainly of loans to Belfius Bank S.A./N.V. which are repayable at nominal value. Reference is made to note 13 in relation to the interest income from debtors amounts owed by affiliated undertakings.

The carrying value of the debtors includes the carrying value of the loans and the related accrued interest, as follows:

	2018	2017
	EUR '000	EUR '000
Within one year	26.628	21.324
After one year and within five years	0	26.358
More than five years	162.099	276.123
TOTAL	188.727	323.805

The movements on debtors between December 31, 2017 and December 31, 2018 are attributable to loans reimbursements.

In the opinion of the Board of Directors, no durable depreciations exist to justify a value adjustment on the debtors.

NOTES TO THE ACCOUNTS

as at December 31, 2018

- continued -

NOTE 5 - INVESTMENTS

As at December 31, 2018, investments consist of bonds issued by Belfius Bank S.A./N.V. which are repayable at nominal value.

The carrying value of the investments includes the related accrued interest and is as follows:

	2018	2017
	EUR '000	EUR '000
Within one year	1.203.483	2.069.388
After one year and within five years	5.333.966	5.132.116
More than five years	2.756.834	2.340.653
TOTAL	<u>9.294.283</u>	<u>9.542.157</u>

In the opinion of the Board of Directors, no durable depreciations exist to justify a value adjustment on the bonds.

NOTES TO THE ACCOUNTS

as at December 31, 2018

- continued -

NOTE 6 - CAPITAL AND RESERVES

The movements in capital and reserves during the year were as follows:

	Subscribed capital EUR '000	Legal reserve EUR '000	Other reserves EUR '000	Profit brought forward EUR '000	Profit for the financial year EUR '000
Balance as at January 1, 2018	3.094	211	454	229	615
Allocation of prior year result	0	31	76	508	(615)
Dividend paid	0	0	0	(700)	0
Result for the year	0	0	0	0	565
Balance as at December 31, 2018	3.094	242	530	37	565

Subscribed capital and results brought forward

As at December 31, 2018, the share capital of the Company amounts to EUR 3.094.004, fully subscribed and paid up to the extent of the aggregate amount of EUR 2.113.004, represented by 251 shares without par value, held by its Sole Shareholder, Belfius Bank S.A./N.V..

Legal reserve

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net gain for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the Sole Shareholder.

Other reserves

For the year ended December 31, 2018, the Company reduced its wealth tax liability in accordance with tax legislation by setting up a special reserve (classified under "reserves") in an amount equal to five times the amount of the payable wealth tax.

This reserve shall be maintained during the period of five years from the year following that during which the wealth tax was reduced.

NOTES TO THE ACCOUNTS

as at December 31, 2018

- continued -

NOTE 7 - CREDITORS

As at December 31, 2018, creditors are composed of long-term debts in relation with the NIP programme and of short-term debts in relation with the ECP programme fully and irrevocably guaranteed by Belfius Bank S.A./N.V.. Reference is made to note 9 in relation to the interest payable and similar expenses

The creditors, due and payable within one year, include also the trade creditors and tax and social security debts for a total amount of EUR 126.628 (2017: EUR 101.958).

The carrying value of creditors includes the related accrued interest, as follows:

	2018	2017
	EUR '000	EUR '000
Within one year	1.229.853	2.090.187
After one year and within five years	5.333.204	5.157.699
More than five years	<u>2.918.685</u>	<u>2.616.547</u>
TOTAL	<u>9.481.742</u>	<u>9.864.433</u>

The movements on debts occurred during the year ended December 31, 2018 are attributable to new issues made under the ECP and NIP programmes net of repayments during the year.

NOTES TO THE ACCOUNTS

as at December 31, 2018

- continued -

NOTE 8 - OTHER OPERATING EXPENSES

Other operating expenses are composed as follows:

	2018	2017
	EUR '000	EUR '000
Occupancy fees	25	25
Service providers		
Accounting / administrative fees	393	356
Technology & system fees	158	126
Legal & tax fees	34	87
External statutory audit fees	32	33
Rating agencies fees	103	102
Professional associations costs	20	18
Training fees	2	2
Directors fees	20	20
Bank fees & assimilated	29	19
Other fees	8	7
TOTAL	824	795

NOTE 9 - INTEREST PAYABLE AND SIMILAR EXPENSES

Interest payable and similar expenses are composed as follows:

	2018	2017
	EUR '000	EUR '000
Interest payable and similar expenses on notes payable (<i>NIP programme</i>)	156.569	181.015
Interest payable and similar expenses on notes payable (<i>ECP programme</i>)	86	827
Other financial & interest charges	0	338
Foreign exchange losses	0	21
TOTAL	156.655	182.201

NOTES TO THE ACCOUNTS

as at December 31, 2018

- continued -

NOTE 10 - TAXATION

The Company is subject to the common tax law applicable to Luxembourg commercial companies.

NOTE 11 - EMOLUMENTS, ADVANCES AND LOANS GRANTED TO THE MEMBERS OF THE ADMINISTRATIVE MANAGERIAL AND SUPERVISORY BODIES

The Company granted a Director's fee of EUR 19.530 (2017: EUR 19.530) in total to the independent and external members of the Board of Directors for the services rendered during the year.

NOTE 12 - EMPLOYEES

The Company has employed 4 people during the financial year (2017: 4 people).

NOTE 13 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Other interest receivable and similar income are composed as follows:

	2018	2017
	EUR '000	EUR '000
Interest income and similar income concerning affiliated undertakings <i>(bonds in relation with ECP programme)</i>	300	1.215
Interest income and similar income concerning affiliated undertakings <i>(loans and bonds in relation with NIP programme)</i>	158.293	182.962
Other financial income	1	16
TOTAL	158.594	184.193

NOTES TO THE ACCOUNTS

as at December 31, 2018

- continued -

NOTE 14 - FEES TO THE RÉVISEUR D'ENTREPRISES AGRÉÉ

The fees to the Réviseur d'Entreprises Agréé accounted for the year ended 31 December 2018 are equal to the amount to EUR 32.450 inclusive of VAT (2017: EUR 32.500), all of which relate to the audit of the statutory annual accounts. The fees to the Réviseur d'Entreprises Agréé are included within the other operating expenses in the Profit and Loss Account.

BELFIUS FINANCING COMPANY S.A.
SOCIETE ANONYME

Unaudited interim accounts

On June 30th, 2019

20, rue de l'Industrie
L-8399 Windhof
R.C.S. Luxembourg: B 156767

Unaudited interim accounts

- Balance sheet
- Profit and Loss account
- Accounting policies

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

BALANCE SHEET

As at June 30, 2019

(expressed in thousands of EUR)

Belfius Financing Company S.A.
BALANCE SHEET
as at June 30th, 2019
(expressed in thousands of EUR)

<u>ASSETS</u>	June 30, 2019 EUR	December 31, 2018 EUR
SUBSCRIBED CAPITAL UNPAID	981	981
Subscribed capital not called	981	981
FORMATION EXPENSES	0	6
FIXED ASSETS	10	0
Tangible assets	10	0
CURRENT ASSETS	10.758.672	9.485.870
Debtors	198.232	188.727
Amounts owned by affiliated undertakings <i>becoming due and payable within one year</i>	198.232	26.628
<i>becoming due and payable after more than one year</i>	0	162.099
Investments	10.558.049	9.294.283
Cash at bank and in hand	2.391	2.860
PREPAYMENTS	19	5
<u>TOTAL (ASSETS)</u>	10.759.682	9.486.862
<u>CAPITAL, RESERVES AND LIABILITIES</u>		
CAPITAL AND RESERVES	4.296	4.468
Subscribed capital	3.094	3.094
Reserves	887	772
Profit brought forward	63	37
Profit for the period / financial year	252	565
PROVISIONS	96	533
OTHERS CREDITORS	10.755.007	9.481.742
Tax authorities	33	97
Social security authorities	9	13
Others creditors	10.754.965	9.481.632
<i>becoming due and payable within one year</i>	2.343.979	1.229.743
<i>becoming due and payable after more than one year</i>	8.410.986	8.251.889
DEFERRED INCOME	283	119
<u>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</u>	10.759.682	9.486.862

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

PROFIT AND LOSS ACCOUNT

For the period ended June 30, 2019

(expressed in thousands of EUR)

Belfius Financing Company S.A.
PROFIT AND LOSS ACCOUNT
for the period ended June 30th, 2019
(expressed in thousands of EUR)

	June 30,	December 31,
	2019	2018
	EUR	EUR
Staff costs	(160)	(296)
Wages and salaries	(137)	(254)
Social security costs	(16)	(29)
<i>Relating to pensions</i>	<i>(10)</i>	<i>(19)</i>
<i>Other social security costs</i>	<i>(6)</i>	<i>(10)</i>
Other staff costs	(7)	(13)
Value adjustments	(7)	(26)
In respect of formation expenses	(6)	(26)
In respect of fixed assets	(1)	(0)
Other operating expenses	(430)	(824)
Other interest receivable and similar income	78.650	158.594
Derived from affiliated undertakings	78.635	158.593
Other interest and similar income	15	1
Interest payable and similar expenses	(77.705)	(156.655)
Other interest and similar expenses	(77.705)	(156.655)
Tax on profit	(96)	(228)
PROFIT AFTER TAXATION	252	565
Other taxes	0	0
PROFIT FOR THE PERIOD / FINANCIAL YEAR	252	565

Accounting policies

General principles

These interim accounts are prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg.

Translation of currencies

The Company maintains its accounting records in euro (EUR) and the annual accounts are prepared in this currency.

Assets and liabilities denominated in currencies other than EUR are translated at rates of exchange applicable at the balance sheet date. Transactions denominated in other currencies are translated at the approximate rates applicable at the time of the transactions. Exchange gains and losses are credited or charged to the profit and loss account. This, as well, applies to all current assets and liabilities considering the intrinsic economic link between these positions.

Formation expenses and similar expenses

The formation expenses and similar expenses are amortized linearly on a period of 5 years. Similar expenses include debt issuance costs.

Tangible fixed assets (Office Equipment)

Office Equipment is carried at its acquisition cost less any accumulated depreciation and any accumulated impairment losses. The diminishing balance method is used as depreciation method.

Debtors

Loans defined as debtors are stated in the balance sheet at their acquisition value. The carrying value of the loans includes the interest accrued. Incidental costs related to new loans are expensed in the financial year in which they are incurred.

Other debtors and receivables are stated at nominal value which includes interest which are due or accrued.

Value adjustments are made in respect of debtors in case of durable depreciation in value according to the opinion of the Board of Directors.

Investments

Bonds are stated in the balance sheet at their acquisition value determined according to the principle of the individualized price or the average acquisition price. Incidental costs related are expensed in the financial period in which they are incurred.

The carrying value of the bonds includes the interest accrued.

The bonds do not expose the Company to market risk and therefore, value adjustments are made in respect of these investments in case of durable depreciation in value according to the opinion of the Board of Directors.

Provisions

At the end of each period provisions are recorded to cover all foreseeable liabilities and charges.

Provisions relating to previous periods are regularly reviewed and released if the reasons for which the provisions were recorded have ceased to apply.

Creditors

Amounts payable represented by promissory notes are stated at their net proceeds corresponding to the repayment value. The carrying value includes the interests which are due or accrued.

Amounts payable represented by promissory notes for which the repayment value differs from the issue price are stated at their reimbursement value considering the application of the following rule: the positive difference (premium) or negative (discount) between the issue price and the reimbursement price is amortized over the period between issue date and maturity date.

Other interest receivable and similar income

Other interest receivable and similar income are recognised on the accrual basis.

Interest payable and similar expenses

Interest payable and similar expenses are recognised on the accrual basis.

Taxes

Taxes are accounted for on an accrual basis.

REGISTERED OFFICE OF

Belfius Bank SA/NV

Place Charles Rogier 11

B-1210 Brussels

Belgium

REGISTERED OFFICE OF

Belfius Financing Company SA

20 rue de l'Industrie

L-8399 Koerich

Grand Duchy of Luxembourg

FISCAL AGENT, PRINCIPAL PAYING AGENT

Banque Internationale à Luxembourg, société anonyme

69 route d'Esch

L-2953 Luxembourg

Grand Duchy of Luxembourg

**DOMICILIARY AGENT, PRINCIPAL PAYING AGENT, PAYING AGENT,
CALCULATION AGENT, GUARANTOR**

Belfius Bank SA/NV

Place Charles Rogier 11

B- 1210 Brussels

Belgium

AUDITORS

To Belfius Bank SA/NV

Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA

Berkenlaan 8B

1831 Diegem

Belgium

To Belfius Financing Company

Deloitte Audit Sàrl

560, rue de Neudorf

L-2220 Luxembourg

Grand Duchy of Luxembourg